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The Land of Cain
Class and Nationalism in English Canada (1977)

by Philip Resnick

Chapter 1
An approach to English Canadian nationalism

(All emphasis by the Web Ed.)

What constitutes a nation, and is there an English Canadian, as distinct from a Canadian, nation? How has English Canada's national consciousness developed in the thirty years since World War II? **What is the connection between English Canadian nationalism and the changing fortunes of American imperialism and Quebec nationalism?** How have the different class forces within English Canada reacted to nationalism, and how would one characterize the dominant forms of nationalism that have emerged in recent years? **What is the significance of English Canadian nationalism in a world of multinational corporations and national liberation movements, and how is it likely to develop in the years to come?**

If we begin this study with a series of questions, not assertions, it is because nationalism, more than any other political ideology, lends itself to a myriad of contradictory interpretations. **There is no single definition of nationalism, while nationalist movements in this century have run the whole gamut from fascism through conservatism, liberalism, socialism, and Marxism to speak only of the more important political credos**. What is significant is just how great the staying power of nationalism has been, and how in societies as divergent as the advanced capitalist ones of the western world, the emerging countries of the third world, and the centrally-planned ones that term themselves socialist, nationalism has been a recurrent force.

It is our position that nationalism can only be studied meaningfully in relation to concrete material forces in different societies. There is no single ideal-type of nationalism universally applicable, and there is no point debating abstractly whether nationalism in general is a good, bad, or indifferent thing. Yet much of liberal theory does precisely this, and even socialist theory, all too often, does scarcely any better. Hence the need for considerable modesty in undertaking a study such as this,[1] and no less importantly, the need for a good deal of care in analysing the specific nature of English Canadian nationalism.

(...)

Québécois, on their side, have not been so reticent in asserting their own claims to nationhood. The historical origins of this claim are hardly recent,[6] but the last fifteen years have witnessed the take-off of the idea of Quebec independence among intellectuals, students, the new petty bourgeoisie of professionals and civil servants, and elements of both the blue collar and. white collar working class.[7] The Parti Québécois, now in power in Quebec, is committed to the idea of independence, and even those French Canadians who stop short of espousing separation have little difficulty in seeing French Canadians, and more specifically Québécois, as "a distinct race or people characterized by common descent, language, or history," to use the Shorter Oxford definition of the nation.

For English-speaking Canadians, however, the problem is reversed. If Quebec nationalism starts from a common origin, history, and language, now setting itself political and economic objectives that may culminate in the establishment of a separate political state, English Canadian nationalists begin with the latter. Or more accurately, the concept of nation for English-speaking Canadians since 1867 begins with a political unit called Canada and a territory stretching from sea to sea. There has up to now been little formal recognition by most English-speaking Canadians of their separate national character within what is called Canada; indeed the dominant strain in English Canadian thought is probably to reject such distinctions.

> ["] We in Ontario have never thought of ourselves, or of English-speaking Canada, as a nation because we thought that there was one nation, Canada, to which both we and our compatriots in French Canada belonged.["][8]

(...)

Yet there is potentially a Canadian nation, no less than a nation of Quebec. If one of the definitions of nationalism is the desire to maintain or preserve a particular nation, there has been no lack of this throughout Canadian history.[13] The very survival of Canada as a separate entity on the northern half of the North American continent, despite the tremendous attraction and power of the United States, is evidence enough of what Renan called "a plebiscite of every day."[14] The persistence of Canadian national feeling, more marginally during the years of Cold War, more strongly now that American imperialism has been weakened, is in fact the subject of this study.

What nationalism has meant in the English Canadian context since 1945 can perhaps be best defined as follows:

> *Nationalism is a concern that the political, economic, and cultural affairs of a territorially-defined polity be controlled and directed by individuals and/or corporations that are members of that polity, rather than by forces outside it* (author's italics .)

This is not necessarily the nationalism of a classical colony striving for formal political independence from the mother country. That type of nationalism may have existed in the Upper Canada of the 1830s; it was a factor, though not the dominant one, in the move to home rule, i.e., Confederation, of the 1860s; it figured in moves to imperial devolution and dominion status during the first decades of this century. It is not, however, the leitmotif of the American Empire which emerges after World War II, which recognizes its subordinate members as formally independent. In fact, it is precisely because Canada is formally independent after 1945, that such large sections of its leadership and population reject the earlier concept of nationalism, i.e., political independence, as obsolete, turning their backs on nationalism *tout court.*

In this, English Canadian politicians and businessmen, intellectuals and workers were following the dominant liberal thinking of the time. Had not nationalism, or at least its intransigent forms, been held responsible for the economic crisis of the 1930s, with its protectionism, autarchy, and depression? Had nationalism not been used by power-hungry politicians, e.g., Mussolini and Hitler, to rally support to their regimes, "lending an increasingly self-assertive and hostile colour to the national attitude to the outside world."[15] Was nationalism not a root cause of war?

(...)

No wonder a Lester Pearson could dismiss the nationalism of the nation state and a Pierre Elliott Trudeau lay all the crimes of humanity at its doorstep.[18]

The new nationalism which we define above is all the more interesting because it develops despite widespread anti-nationalism in post-war Canada. Concern with political, economic, and cultural control and direction is an uneven, even uncertain one, during the two decades of Cold War, roughly 1945-1965. As we shall try to show, different classes and sections of Canadian society resented specific aspects of American cultural or economic domination, while accepting a subordinate/neo-colonial role within the American empire. This began to change fairly dramatically in the decade 1965-75, owing to developments in the political economy of American imperialism and of Canadian capitalism. Where minority voices on the right or left spoke out in the 1940s, where there was only episodical concern with American domination in the 1950s, the 1960s and 1970s, a period of waning American power, saw nationalism coming home to important sectors of the intelligentsia, students, middle class professionals, the trade union movement, political parties, small businessmen, and more exceptionally, large. Chapters 3-5 will sketch this historical development.

What we must now set out more clearly is the approach we shall be adopting in this study. The reader may recall the reference at the beginning of this chapter to the need to study nationalism in relation to

concrete material forces. What this suggests at a minimum is that we will be attempting something more than an intellectual history of post-war Canadian nationalism. Rather, we shall be stressing the role of social class, that is class defined in the Marxist sense of the *position people occupy in relationship to the means of production,* in explaining both support for and opposition to nationalism. At the same time we shall have to take account of the relations between Canada and the United States over the thirty-year period, essentially those of dependency, as limiting factors on an exclusively class focus.

Class analysis must he mediated through the larger prism of imperialist relations in the post- World War IIperiod, particularly where a country like Canada is concerned. (author's italics -- Web Ed.)

Let us reassure the sceptics that we do not hold that Marxism has the only valid thing to say on the subject of nationalism. There are too many contradictions in the writings of Marx and Engels themselves, not to speak of such important later theoreticians as Kautsky, Bauer, Luxemburg, Lenin, Stalin, or Mao to speak of a *single* Marxist interpretation of nationalism. Nor does our favouring class as a category for analysis mean that we rule out other phenomena such as regionalism, political culture, ethnic origin, or even such purely stochastic variables as personality, as without any bearing. We hold that a materialist explanation grounded in class and imperialist analysis can explain more about such social and political phenomena as nationalism than rival approaches. But it may not explain everything. Similarly, a Marxist theory of imperialism that takes into account the transformations which capitalism has undergone since Marx's time—the internationalization of capital, the emergence of the so-called multi-national corporation, the interpenetration of finance and industrial capital, unequal relations between first world industrialized and third world resource producers—is more relevant than rival sociological or economic approaches, without necessarily being the last word. We remain non-dogmatic in our application of Marxist categories, but convinced of their political and intellectual cogency.

What is especially important in the Marxist approach to nationalism is its recognition that in class-divided societies, such as our own, political ideas are rooted in economic relations *(emphasis by Web Ed. --next quote from Marx & Engels)*

> ["] The ideas of the ruling class are in every epoch the ruling ideas, i.e., the class which is the ruling *material* force of society, is at the same time its ruling *intellectual* force. The class which has the means of material production at its disposal, has control at the same time over the means of mental production, so that thereby, generally speaking, the ideas of those who lack the means of mental production are subject to it.["][19]

(...)

To be sure, nationalism is not solely a bourgeois phenomenon. There are examples enough of its use by aristocratic or landowning elements in the 19th and early 20th centuries, and its invocation by the peasantry and working class in many different countries. Still, in capitalist societies nationalism was first and foremost an ideological weapon in the hands of the rising capitalist class.

It was this fact which led Marx, Engels, and many other early socialists to be critical of the bourgeoisie's use of nationalism and to argue that class loyalty was more important than national loyalty. "The working men have no country," Marx and Engels declared in the Communist Manifesto,[26] and throughout their writings, nowhere more than in Marx's discussion of the Paris Commune, they pointed to a proletarian consciousness that transcended the narrow limits of the bourgeois nation state.[24]

This internationalist strand in socialism and Marxism is extremely important, and has led at least some socialist theoreticians to a blanket condemnation of nationalism little different from that we have already encountered in several liberal writers. Where the latter, from Lord Acton to Pierre Elliott Trudeau saw in nationalism, particularly once other classes than the bourgeoisie became involved, a threat to what Isaiah Berlin terms "negative liberty,"[25] internationalists like Rosa Luxemburg or Anton Pannekoek saw nationalism as an example of bourgeois ideology, and a direct obstacle to the class struggle.[26] Even social democrats of the Fabian variety, e.g., the authors of the

League for Social Reconstruction's *Social Planning for Canada* **of 1935, usually had few kind words for nationalism, which they assumed must necessarily take a bourgeois form:**

> ["] That foreigners control this or that *particular* industry will trouble none but those earnest patriots who, in defiance of all the evidence, persist in believing that the Canadian capitalist is a different kind of being from the foreign, that the one is a philanthropist, the other a robber and a cheat.["][27]

Yet such a reading of nationalism is neither very dialectical nor profound. For if nationalism poses a challenge to socialist theory and even a threat, as the wholesale collaboration of social democratic parties with their respective governments at the outbreak of World War I illustrated, it also provides an opportunity. In the case of an oppressed or dominated society, the struggle for national liberation can be at the same time the opening wedge for social revolution. The experience of China or Vietnam in this century bears this out, as, in a European context, does the history of Tito's Partisans during the Nazi occupation of Yugoslavia in World War II. In the case of developed capitalist societies, nationalism is more likely to be the preserve of a dominant bourgeoisie. Yet even here, the possibility often exists for an alternative conception of the nation based on the interests of the working class or elements of the petty bourgeoisie. **A quite careful analysis of the class structure of a particular capitalist society and its interactions with the larger, capitalist system is therefore called for, especially in what Lenin referred to as the age of imperialism.**

It is important to recall that Marx and Engels in the very quotation claiming that the working class have no country go on to say:

> ***["] We cannot take from them what they have not got. Since the proletariat must first of all acquire political supremacy, must rise to be the leading class of the nation, must constitute itself the nation, it is, so far itself national, though not in the bourgeois sense of the word.["][28]***

This suggests the possibility of a working class, as opposed to bourgeois, form of nationalism, and a working class concept of the nation. Marx and Engels, moreover, were prepared to support certain national struggles, e.g., in Poland and Ireland, not necessarily led by the working class. "No nation can be free if it oppresses another nation."[29] To be fair, Engels, for one, had little sympathy for the nationalism of most small peoples,[30] while Marx shared many of the prejudices of 19th century metropolitan Europe where colonialism was concerned.[31] But it is far too simple to categorize Marx and Engels as enemies of any and all nationalisms.

Similarly, the heated debates within the Second International around the national question, the attempts by such different theorists as Karl Kautsky or Otto Bauer to frame a socialist position on nationalism[32] attest to the intractability of the problem. It remained for such twentieth century practitioners of revolution as Lenin or Mao Tsetung to come up with some of the more interesting formulations, and even these are by no means perfect.

Lenin's writings on nationalism stressed the principle of self-determination for nations oppressed by other nations,[33] while expressing preference for proletarian leadership of the national struggle within an oppressed nation.[34] Lenin was willing to support any anti-imperialist struggle not led by a reactionary class.[35] At the same time, he was critical of great nation chauvinism, including Russian chauvinism within the USSR.[36]

Mao Tsetung, for his part, was quite prepared to use nationalism as a weapon against the Japanese invader, distinguishing between the nationalism of an aggressor and of his victim.[37] Moreover, Mao was flexible enough to support a broad democratic coalition, including the so-called national bourgeoisie, alongside the peasants, workers, and intellectuals, in the larger struggle against the Kuomintang.[38] Many other third world liberation movements have followed similar principles.

The direct relationship of all this to a developed capitalist society such as Canada is far from clear. A Marxist theory of nationalism might, however, pose the following questions:

1) What is the nature of English Canadian nationalism, i.e., is it oppressive, e.g., of Quebec, progressive, e.g., that of an oppressed or colonized nation in the age of American imperialism, or potentially a combination of both?

2) What is the class nature of English Canadian nationalism, e.g., bourgeois, petty bourgeois or working class?

3) Is a coalition of anti-imperialist forces led by the working class desirable or possible? *(The large and all-important political option #3 is never considered as such -- see below – possibly remaining the negative legacy of Canadian Stalinism's "popular frontism" haunting the author -- Web Ed.)*

Let us discuss each of these in turn.

Regarding 1, it would, for example, be important to see the extent to which English Canadian nationalism is willing to recognize Quebec's right to self-determination. A Canadian nationalism based on the permanent subordination of Quebec in the name of a united Canada could hardly be considered progressive. One based on recognizing the specificity of Quebec, up to and including its right to form a separate political entity, if it so chooses, would be another matter.

Further, it would be all-important to assess the development of English Canadian nationalism within the larger framework of post-war capitalism. On the assumption that American imperialism is the dominant force through much of this period, we must examine whether Canada can properly be considered either a colony or a neo-colony. If it is, we will expect the more important economic, cultural, and even political questions to be decided in the metropolitan centre, the United States. **This would then give English Canadian nationalism a potentially anti-imperialist dimension, though conceivably Canada herself is in an imperialist relationship with parts of the third world.**

Regarding 2, the more classical Marxist criteria of class come into play.

(...) (what follows is a discussion on regional differences and sub-class divisions in Canadian society -- Web Ed.)

Once we have analyzed the class nature of English Canadian nationalism since the war, and some of the movements it has given rise to in recent years, we should be in a position to assess the desirability and possibility of a working class-based nationalist movement (Question 3 above) *(it behooves Canadian Marxists to face as well, the reality of the farmer-labor political tradition of the CCF-NDP, as a step towards the development of mainstream labor political action through which Canadian nationalist sentiment could find expression -- Web Ed.) (All above emphasis by the Ed.)*

To recapitulate the principal objectives of this study, we shall be looking at nationalism in an advanced capitalist society, Canada, and more particularly at the nationalism of the dominant element within the country, English-speaking Canadians. We have defined nationalism in the post-World War II context as ***a concern that the political, economic, and cultural affairs of aterritorially-defined polity be controlled and directed by individuals and/or corporations that are members of that polity, rather than by forces outside it*** *(emphasis by the author).* In and of itself, such a nationalism can be articulated by different class forces, e.g., the bourgeoisie, the petty bourgeoisie, the working class, and can have a reactionary, neutral, or progressive character. By examining the differing positions of these classes over time and relating their attitudes to changes in Canada's position within the American sphere, it should be possible to evaluate the nature of English Canadian nationalism, and its possible future interaction with both capitalist and socialist ideologies.

FOOTNOTES TO CHAPTER ONE

1. "L'inquietante hesitation de la pensée historique et sociologique devant le phenomène nation, l'emploi discutable ou manifestement abusif des mots "nation," "national," "nationalisme," "patriotisme" ou "patrie" fait de nos jours encore obstacle à la récherche." Pierre Vilar, *La Catalogne dans l'Espagne moderne,* Vol. 1, Paris, 1962, p. 29, cited in Georges Haupt, Michael Lowy & Claudie Weill, *Les marxistes et la question nationale 1848-1914,* Montreal and Paris, 1974, p. 21, Fn. 21.

2. Cf. Donald Creighton, *Towards the Discovery of Canada,* Toronto, 1972, especially the essays "The Decline and Fall of the Empire of the St. Lawrence" and "Canadian Nationalism and Its Opponents."

3. As early as 1961, at its founding convention, the New Democratic Party affirmed its belief in a federal system "which alone insures the united development of the two nations which originally associated to form the Canadian partnership." Significantly, the resolution in question was titled "Co-operative Federalism." *Policies of the New Democratic Party, 1961-1973,* Ottawa, 1974, p.73.

The Royal Commission on Bilingualism and Biculturalism had as its mandate "equal partnership between the founding races," and proposed the extension of equal language and cultural rights across the country. *Bilingualism and Bicullturalism,* ed. Hugh R. Innis, Toronto, 1973, pp. 4-6.

Writers from Charles Taylor, *(The Pattern of Politics,* Toronto, 1970, p. 142) to John Deutsch (Introduction to R.M. Burns, ed., *One Country or Two,* Montreal, 1971, pp. 13-14) to Donald Smiley (or so at least I read the chapter "Cultural Duality and Canadian Federalism" in his book *Canada in Question: Federalism in the Seventies,* Toronto, 1972) accept[ing] the logic of a revamped Confederation, while rejecting independence for Quebec.

4. Eugene Forsey made his support for a cultural/sociological use of the term two nations, as opposed to a political one, the central point of his 1962 presidential address to the Canadian Political Science Association. See his *Freedom and Order, Collected Essays,* Toronto, Carleton Library, 1974, pp. 247-269. He broke with the NDP over their "two nations" theory, yet one wonders how many social democrats, or for that matter liberals at the time, ever understood "two nations" or "two founding peoples" in other than a cultural/sociological sense. Since 1970, however, as will be argued in Chapter Five, there has been some movement towards a political interpretation of the two nations by English Canadian writers.

5. Acton started the ball rolling with his denunciation of nationalism, "a theory more absurd and criminal than the theory of socialism," in his famous essay on "Nationality" of 1862, reprinted in *Essays on Freedom and Power,* London, 1962. For Trudeau, the multinational state, i.e., federalism, is "a product of reason in politics," while nationalism is a "cheap and powerful tool" which addresses the emotions, rather than reason. *Federalism and the French Canadians,* Toronto, 1968, pp. 195, 175. Ramsay Cook beats much the same drum in his *The Maple Leaf Forever,* Toronto, 1971, especially the first and third essays.

6. Cf. Maurice Seguin, *L'Idée d'indépendance au Québec,* Trois Rivières, 1968.

7. Cf. Hubert Guidon, "Social Unrest, Social Class and Quebec's Bureaucratic Revolution," *Queen's Quarterly,* Vol. 71, pp. 150-162; Jacques Brazeau, "Les Nouvelles classes moyennes," in Fernand Dumont and Jean-Paul Montminy, eds., *Le Pouvoir dans la société canadienne-française,* Quebec, 1966, pp. 151-163; Gilles Bourque and Nicole Laurin-Frenette, "Social Classes and Nationalist Ideologies in Quebec, 1760-1970," in Gary Teeple, ed., *Capitalism and the National Question in Canada,* Toronto, 1972, pp. 186-210; Marcel Rioux, *Les Québécois,* Paris, 1974; Louis Le Borgne, *La CSN el la question nationale, 1960-73,* thèse de maîtrise, l'UQUAM, 1975.

8. Douglas LePan, "The Old Ontario Strand in the Canada of Today," *Queen's Quarterly,* Vol. LXXIII, 1966, pp. 483-495, p. 487.

(…)

13. Cf. W.L. Morton, *The Canadian Identity,* Toronto, 1973, especially Chapter III "Canaaa and the United States."

14. "The existence of a nation is a plebiscite of every day, as the existence of the individual is a perpetual affirmation of life." Ernest Renan, "The Meaning of Nationality" in Hans Kohn, ed. *Nationalism,* New York, 1955. p. 139.

(...)

18. For a representative comment by Pearson, compare the Reith Lecture he gave over the BBC after he had left office in 1968: "The fact is that the sovereign state is virtually obsolete as a satisfactory basis for rational economic growth, at least in industrially developed societies." Cited in *Canadian Labour,* Ottawa, May 1969, p. 30. For Trudeau, cf. the last three essays in *Federalism and the French Canadians.*

19. Karl Marx and Frederick Engels, *The German Ideology,* New York: International Publishers, 1970, p. 64.

20. Cf. Christopher Hill's discussion of "The Norman Yoke," in his *Puritanism and Revolution,* Panther Edition, London, 1968, Chapter Three. For the use of nationalism by a triumphant Cromwell see Chapter Four, *Ibid.,* "The English Revolution and the Brotherhood of Man," Section Six.

21. Cf. the language of the Declaration of Independence,, "that these united colonies are, and of right ought to be free and independent States"; or the opening words of the American constitution "We the People of the United States."

On the class character of the leaders of the revolution, see Charles Beard, *An Economic Interpretation of the Constitution of the United States,* New York, Reprinted 1960. Of the revolution itself, Clinton Rossiter has written: "Perhaps the most remarkable characteristic of this political theory was its deep rooted conservatism . . . More than one hundred and fifty years ago Americans took up their unique role as the world's most conservative radicals, the world's most sober revolutionists." "The Political Theory of the American Revolution," *The Review of Politics,* 1953, Vol. 15, p. 108.

22. Cf. The Abbe Sieyes's famous tract at the opening of the revolution, "What is the Third Estate?" in Peter Campbell's edition, New York, 1964. By Sieyes's calculations there were some 80,000 clergy, 110,000 nobility, and 25-26 million members of the third estate in 1788-9. When he affirms that the nation alone must make the constitution, it is the third estate in particular that he has in mind. Cf. also the Declaration of the Rights of Man of 1789, Article 3: "Le principe de toute souverainété reside essentiellement dans la Nation."

23. Karl Marx and Frederick Engels, *Manifesto of the Communist Party,* in Marx and Engels, *Selected Works,* Moscow, 1968, p. 51.

24. ***"If the Commune was thus the true representative of all the healthy elements of French-Society, and therefore the truly national Government, it was, at the same time, as a working men's Government, as the bold champion of the emancipation of labour, emphatically international. Within sight of the Prussian army, that had annexed to Germany two French provinces, the Commune annexed to France the working people all over the world."*** *Or further****, "Class rule is no longer able to disguise itself in a national uniform: the national Governments are one as against the proletariat."*** *Karl Marx, The Civil War in France, in the Selected Works, pp. 297, 310.*

25. "I am normally said to be free to the degree to which no man or body of men interferes with my activity," writes Berlin, arguing the need for a minimum area of individual rights in which authority is kept at bay. Isaiah Berlin, "Two Concepts of Liberty," in *Four Essays on Liberty,* Oxford University Press, N.Y., 1969, pp. 122, 126.

26. Cf. Rosa Luxemburg, "La question polonaise et le mouvement socialiste," (1905) calling for unity of the Polish and Russian proletariats in overthrowing Tsarism, or her "La question nationale et l'autonomie," rejecting the idea of an independent Poland as an objective of a socialist revolution. Cf. also Anton Pannekoek's "Lutte de classe et nation," (1912). All three essays are in the extremely useful collection edited by Georges Haupt, Michael Lowy, and Claudie Weill, *Les marxistes et la question nationale 1848-1914,* Montreal and Paris, 1974.

27. League for Social Reconstruction, *Social Planning for Canada,* Toronto, new ed., 1975, p. 55.

28. Marx and Engels, *The Communist Manifesto, op. cit.,* p. 51

29. F. Engels, Emigre Literature, 1. *The Polish Proclamation,* 1874, cited in Lenin, *Questions of National Policy and Proletarian Internationalism,* Moscow, 1964, p. 107.

30. Cf. the discussion of Engels' *Po and Rhine* in Horace B. Davis, *Nationalism and Socialism,* New York, 1967, pp. 60-1, or the disparaging comments Engels makes' about the Welsh, the Scottish, the Bretons, and the Lapps in his 1866 *Commonwealth* article, "What have the classes to do with Poland?," reprinted in French translation in the Haupt *et al.* reader, *op. cit.,* pp. 90-3.

31. "England has to fulfill a double mission in India: one destructive, the other regenerating—the annihilation of old Asiatic society, and the laying of the material foundations of Western society in Asia," is but one such comment strewn through Marx's newspaper articles of the 1850s. Karl Marx, *Surveys from Exile,* ed. David Fernbach, Penguin Books, 1973, p. 320.

32. Kautsky's *Nationality and Internationalism* of 1907-1908 plumps strongly for the nation state over the multinational state, while Bauer's *The National Question and Social Democracy* of 1907 argues the case for multinational states, respectful of the cultural autonomy of different nationalities. The Haupt reader, *op. cit.,* contains extracts in French from both works.

33. "The right of nations to self-determination implies exclusively the right to independence in the political sense, the right to free separation from the oppressor nation." Vladimir I. Lenin *Questions of National Policy and Proletarian Internationalism,* Moscow, 1964, p. 113.

34. *"Insofar as* the bourgeoisie of the oppressed nation fights the oppressor, we are always, in every case, and more strongly than anyone else, *in favour,* for we are the staunchest and most consistent enemies of oppression. But insofar as the bourgeoisie of the oppressed nation stands for *its own* bourgeois nationalism, we stand against. We fight against the privileges and violence of the oppressor nation, and do not in any waycondone strivings for privileges on the part of the oppressed nation." *Ibid.,* p. 62.

35. "We *must* support *every* revolt against our chief enemy, the bourgeoisie of the big states, provided it is not the revolt of a reactionary class," *Ibid.,* p. 137, or again, **"A blow delivered against the power of the English imperialist bourgeoisie by a rebellion in Ireland is a hundred times more significant politically than a blow of equal force delivered in Asia or in Africa.",** p. 160. ***(Hardened anti-nationalists take note!)***

[36.] **"It would be an unpardonable opportunism if, on the eve of the debut of the East, just as it is awakening, we undermined our prestige with its peoples, even if only by the slightest crudity or injustice towards our own non-Russian nationalities."** *Ibid.,* p. 170.

37. Can a Communist, who is an internationalist, at the same time be a patriot? We hold that he not only can but must be. The specific content of patriotism is determined by historical conditions. There is the "patriotism" of the Japanese aggressors and of Hitler, and there is our patriotism . . . To bring about the defeat of the Japanese aggressors and of Hitler by every possible means is in the interests of the Japanese and the German people, and the more complete the defeat the better . . . China's case, however, is different, because she is the victim of aggression. Chinese Communists must therefore combine patriotism with internationalism . . . The victory of China and the defeat of the invading imperialists will help the people of other countries. Thus in wars of national liberation patriotism is applied internationalism." "The Role of the Chinese Communist Party in the National War," October 1938, Mao Tsetung, *Selected Works,* Vol. II, p. 196.[1]

[38.] Thus, the "Manifesto of the Chinese People's Liberation Army" of October 1947, has as its first point: "Unite workers, peasants, soldiers, intellectuals and businessmen, all oppressed classes, all people's organizations, democratic parties form a united front; overthrow the dictatorial Chiang Kai-Shek government; and establish a democratic coalition government." Mao Tsetung, *Selected Works,* Vol. V, page 150. See also the article "On the Question of the National Bourgeoisie and the Enlightened Gentry," in the same volume, pp. 207-210.

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by Philip Resnick

Chapter 3
The politics of dependency 1945-1955
(selected footnotes included -- Web Ed.)

(All emphasis by the Web Ed.)

The Second World War heralded a major realignment in international politics, with the emergence of the United States after 1945 as the dominant power in the non-Communist world *(A reference to non-Soviet –'workers state' socialist – bloc centred in Russia, known as the USSR -- Web Ed.)* Where Britain and Germany had been the main contenders in the European theatre of the 1930s, where Japan had been the rising power in Asia, Britain was now prostrate after six years of war, and Germany and Japan lay defeated. Even the Soviet Union, militarily strong in eastern Europe, was economically exhausted and it would take twenty years of effort for it to reach some kind of rough equality both in political and military influence with the United States. The immediate post-war period, therefore, was marked by American supremacy in the political, economic and military fields, with direct consequences for the politics of a host of associated and client states.

Where Canada was concerned, the symbolic changeover from the British to the American sphere had occurred as early as 1940. To be sure, in the economic area American capital had already replaced British as the most important source of foreign investment by the 1920s. But it was not until 1940, with the Ogdensburg Agreement between Roosevelt and King establishing a Permanent Joint Board of Defence Canada-United States, that military and political reality began to follow economic ties. As a number of observers noted at the time, Ogdensburg heralded "a profound change in the balance of power across the Atlantic and across the Pacific" and a new regional focus for Canada's security. **It was followed in 1941 by the Hyde Park Declaration of April 20, which provided for integration of defence production between the two countries, or, in the words of Mackenzie King:**

> ***["] an acceptance of the economic inter-dependence of Canada and the United States as the foundation of the programme of war production in both countries.["]***

This economic inter-dependence, more properly Canadian dependency on the U.S. across the board, was to be enormously strengthened in the post-war period.

What is striking in re-examining the decade 1945-55 is the realization of how strongly most Canadians supported the ascendancy of the United States. In the late 1940s, some 20 per cent of Canadians actually favoured political union with the United States, and though this figure had declined to a mere 9 per cent by the early 1950s, it was one indication of the limiting factors for any Canadian nationalism. More significant were the 60 per cent of Canadians who in 1950 wished to encourage further American capital inflow, or the 63 per cent who in 1956 felt that U.S. influence on Canada was not excessive. (If one looks at English Canada alone, the percentage of those who in 1956 felt that the Canadian way of life was *not* being too influenced by the United States was higher than the 63 per cent average everywhere save in British Columbia, i.e., 67 per cent for the Maritime provinces, 67.7 per cent for Ontario, 68.7 per cent Manitoba, 75 per cent Saskatchewan, 72.3 per cent Alberta, and 60.1 per cent B.C.)

Yet the preceding decade had seen the largest relative increases in American direct investment in years, [9] **the forging of a peacetime military alliance involving the stationing of some American personnel on Canadian soil,** [10] **cultural penetration through various media, and political**

penetration which had led the Canadian Secretary of State for External Affairs to proudly declare: ***["] We are the junior partner of a North American partnership which will not be dissolved by communist blandishment or isolationist timidity.["]***
(...)

How did the different classes in Canadian society perceive the process of Americanization, what forms did English Canadian nationalism take, and what role did Canada come to play within the American empire?

The big bourgeoisie is in many ways the most important actor in this period, setting the tone for policies of continentalism that were to shape Canadian policy, especially in the economic field, for most of the post-war era. As early as October 1945, a representative sample of Canadian businessmen could answer positively a questionnaire in the *Financial Post,* "Does Canada Need Foreign Capital?"

> ["] A substantial amount of venture capital, both Canadian and foreign, is absolutely essential for full development . . .
>
> ["] I don't know of any logical reason why Canada should exclude foreign capital . . . I believe the encouragement of free trade in all commodities including capital investment is Canada's greatest hope for the future.
>
> ["] Our natural resources must be developed more quickly than the financial resources of twelve million people can accomplish.["]

The President of the Royal Bank of Canada, in early 1946, could reiterate the neo-colonial position Canadian financial capital had always taken and would be taking through most of the post-war period on the issue of foreign ownership:

> ***["] . . . the more any one studies Canada's position the more he realizes that we of all nations can least afford to paddle our own canoe. Our geographical position makes us the link connecting two great industrialized powers, Great Britain and the United States.***

And an article in the *Financial Post* in the autumn of 1946, significantly titled "Marked for Soviet Conquest?," could place the Canadian bourgeoisie's support for an American orientation in the larger context of Cold War politics:

> ["] Russia is on the move. The overthrow of capitalism is her declared objective. Canada stands between Russia and the last great citadel of capitalism. Canada is economically very vulnerable. Canada stands in great need of becoming alert to the dangers which lie in her path.["]

There was one important fraction, however, in the ranks of the big bourgeoisie, which for all its anti-Communism could not look with unrestricted favour at American political and economic domination in the years to come. This was the pro-British element, essentially Tory in its politics, and unhappy with the displacement of Great Britain by the United States. In England, Empire-oriented Conservatives had denounced "the robust buccaneering spirit of modern American economic imperialism" at the time of the British post-war loan in 1945 pointing out that "The British Empire is the oyster which this loan is to prise open."

> In Canada, similar elements were to speak out against the Abbott Plan, introduced as an emergency measure by the Liberal government in late 1947 to deal with the shortfall of American dollars, or against the too close alignment of Canadian foreign policy on American in the early 1950s.

[19] Such sentiments were to be further reflected from time to time in the pages of business-oriented publications such as the *Financial Post* and *Saturday Night,* with their frequent articles on Britain and the desirability of closer Canadian-British trade and ties.

But the sand ['hour-glass' -- Web Ed.) **was running out on the British Empire, and the North Atlantic triangle was irretrievably broken. Whatever the sentimental importance of Tory-style nationalism in the period of Liberal domination, in the Diefenbaker years, or since, it was never**

based on a viable economic strategy. If a fraction of the big bourgeoisie was sentimentally unhappy with aspects of American domination, the political economy of the post-war world (cf. Table 2.1) with its clear alignment of countries such as Canada with the United States in the developing Cold War, brought most of them into line. Still, there are nuances in the attitudes of the Canadian bourgeoisie towards American policy which a careful analysis must bring out.

The Abbott Plan of November 1947, named after the Liberal Minister of Finance, Douglas Abbott, was as important a turning-point in post-war Canadian-American economic relations as the U.S.-Canadian defence agreement for collaboration in the north, announced by Mackenzie King on February 12, 1947, had represented in the military field. In a nutshell, the Abbott Plan curbed Canadian imports of American automobiles, food, and consumer goods as well as travel expenditures in the U.S. to deal with the drop in Canada's dollar reserves from $1,250,000,000 at the end of 1946 to $500,000,000 some ten months later. Canada obtained a $300 million credit from the United States and the possibility of private dollar loans on the New York market. More to the point, Canada would in future seek to balance its trade with the United States by encouraging greater exports of Canadian natural resources and of manufactures by American subsidiaries.

Canada was in fact seeking a complementary, though subordinate, position, within a continental economy. Implicit in the Abbott Plan, as in speeches by the minister and prominent Canadian capitalists, was the need to maintain an open door for American investment in the country, and ["] not lose sight of the inevitable connection between Canada and the United States, in trade as well as in defence and in culture.["][21]

The subsequent American announcement in February 1948 of the continuation of the close working partnership on economic problems originally established by the Hyde Park Declaration of 1941 confirmed the course on which Canada was now set.[22] As Kenneth Wilson of the *Financial Post* observed,

> ["] Let's recognize as clearly as we can that something big, something unique, something very important has happened by the stated and implicit assumption that Hyde Park "principles" are here to stay, and can be made to work in peace as well as in war.["]

The debate in Parliament following the introduction of Bill 3, i.e., the Abbott measures, on December 11, 1947, was unique in crystallizing for a moment the balance of forces for and against unabashed continentalism. The Liberal government, and behind it much of big business, defended the Abbott Plan as essential to Canadian recovery, pooh-poohing charges the measures had been dictated in Washington. The Conservatives, the CCF, and Social Credit attacked the government's measures, charging that they would discriminate against British exports no less sharply than against American, further driving Canada into the arms of the United States. The Conservative criticisms are of particular interest in reflecting the nationalism of elements of the big, small and petty bourgeoisie.

["] There was none of this kowtowing and cringing to another country (in 1932). Canada took her place at the conference table with the other nations of the Commonwealth beside her and debated trade questions man-to-man fashion. There was none of this business of Canada fawning on the United States["].

> *["] We are being drawn into the United States orbit year by year . . . the situation is developing to the point where we are not going to be a partner of the United States but a poor relative.*
>
> *["] . . . the government are with Washington first, last and all the time and have surrendered too much economic, social, financial and military initiative to Washington all along as in this bill.*

In the end the government measure carried, by the narrow margin of 102-92.

To get a clearer idea of the contending views within the business community, we can look at a debate, taking place at almost the same time, over that hardy perennial, free trade between Canada and the United States. There is evidence that behind the scenes negotiations were taking place in the early

months of 1948 between Canadian and American officials regarding a customs union;[28] indeed, magazines such as *Life* sounded the call publicly.[29] In both business and other circles there was considerable reluctance to carry things that far. A former president of the St. John, New Brunswick, Board of Trade, for example, feared that political union would inevitably follow on economic; a Brantford industrialist argued that it would disrupt the established east-west orientation of the Canadian economy, preferring instead expanded Canadian trade with the sterling bloc; while the general manager of Goodyear Tire of Canada argued that customs union with the United States was neither desirable nor profitable, and cooperation with U.S. was possible without it. **On the other hand, the heads of several prominent American branch plants in Canada, e.g., Philco Corp. and International Harvester, favoured just such a scheme, and there was no absence of editorial support, particularly in Western Canada.[33]**

To speak of a polarization between Canadian-controlled and American-controlled capital would be an exaggeration. But there did seem to be somewhat greater support for free trade on the part of certain American branch plants than Canadian corporations, and in Western rather than Eastern Canada. (A quarter of a century later it would be the Economic Council of Canada which would be beating the drums of free trade most loudly.)

The Canadian bourgeoisie as a whole tended to support American direct investment in Canada and broader aspects of American economic, political, and military policy in the 1945-55 period.

> ***["] Occasionally some one gets up on a platform and argues that the development of Canadian resources should be reserved for Canadian capital only. Fortunately these people are few . . .["]***

Thus argued the *Financial Post* **in 1950. An article on oil the following year stated:**

> ***["] The Yanks know what to do, when to do it and how to do it fast . . . By and large, Canadians are glad that the U.S. oilman is on the job.***

The President of the Canadian Manufacturers Association, in a 1953 speech, affirmed:

> ***["] With an enormous area still of almost virgin country to be opened, Canadians need and welcome foreign investments and with their own healthy stake in the national development they have no fears of any domination.***

All seemed quiet on the northern front.

In the resource field, the *Financial Post* **welcomed Eisenhower's turning down of prohibitive tariffs on Canadian lead, zinc, and aluminum exports in 1954, hinting at a continental resource deal.[38] The President of Trans-Canada Pipe Lines urged "a free exchange of gas and petroleum" between the two countries,[39] while a further Post article stressed the strategic importance of Canadian oil reserves to the United States in any future crisis.**

Where military alliances were concerned, be it NATO or specific Canadian-American arrangements in the far north, the thinking of the big bourgeoisie paralleled that of the Canadian government:[41]

> ***["]The establishment of the Atlantic Pact was a necessary result of the failure of the UN to do certain things.***
>
> ***["] The democratic nations . . . believe that there is a more dreadful calamity than war. Slavery is worse.***
>
> ***["] However late — we must apply ourselves diligently, courageously and — above all — with unanimity — to the task of rearming.***
>
> ***["] To adopt a narrow national defence would be to return to 1914 and 1939.["][45]***

Yet not all was sweetness and light. From time to time important spokesmen for the Canadian bourgeoisie would differ from American perceptions and policies, underlining in the process the existence of particularly Canadian interests. One good example was the presidential address by Hugh Crombie, Vice-President and Treasurer of Dominion Engineering, to the annual meeting of the Canadian Manufacturers Association in 1952:

["] Charity is a wonderful thing but charity should begin at home. It appears to me that Canada has given a lot in some regards, and got little back in return, particularly vis-à-vis the United States.

To be sure, Crombie went on, Canada had vast natural resources, but it must remain wary of American intentions. The Americans would relegate Canada to the role of hewer of wood and drawer of water, unless Canadians insisted on processing their raw materials at home to the fullest extent possible. The less Canadians had to rely on American capital to achieve these ends the better, however helpful the Americans had been hitherto.

The least one can say is that this spoke to a certain economic nationalism. More to the point, it articulated the interests of Canadian industrial capitalists in the maintenance of a high level of manufacturing activity in Canada, despite the boom in demand for Canadian resources. ***As American control over the Canadian economy intensified in the 1950s, the Canadian Manufacturers Association became increasingly an apologist for American investment*** (see Chapters Four and Five). But it is interesting to see a President of the Association rejecting the logic of the Paley Commission and of a certain economic corttinentalism in the early 1950s.

There was a certain flexibility where other issues were concerned. *The Canadian Banker,* for example, rejected the simplifications of American China policy as early as the winter of 1950, arguing that if all Western countries, including the United States, recognized China, the latter's independence from Moscow would be encouraged:

> ["] Of the Communist satellites only China and Jugoslavia do not owe their "liberation" to Russian armies.["]

The Financial Post, for its part, was far from enthusiastic about McCarthyism south of the border[48] (one knew how to defuse communism so much more deftly at home). It backed up CD. Howe's threat to build a purely Canadian seaway, in the absence of Congressional approval for a joint venture[49] (but then even the American administration was not unfriendly to the seaway venture[50]). **It** *(Financial Post)* **too criticized American China policy,[51] and most interestingly of all, began in late 1954 to call for a National Energy Policy,[52] strongly opposing the export of Canadian power to the United States, as Kaiser was proposing to do on the Columbia. Canadian policy, it argued, should not be one of "giving away power resources to run competitive industries in another country."**

The Federal Minister of Northern Affairs and Natural Resources, Jean Lesage, future premier of a nationalist-oriented government in Quebec, shared these sentiments in a hard-hitting speech in Vancouver in May, 1955:

> ["] If Canada does not want to see the economic future of its west coast area jeopardized, it cannot allow the sale in the United States of on-site or down-stream power from British Columbia at a price corresponding to the average price of power presently available in that market . . . Is Canada reasonably expected to encourage new industries to locate on the other side of the boundary where they will have immediate access to the U.S. markets, where they will enjoy tariff protection and get cheap power as well . . . **Canada might find itself without cheap power to process its own raw materials and forced to export these as well . . .["]**

The ultimate fate of the Columbia River was a repudiation of every word in this statement, and proof of the long-term ability of foreign capital to play off federal and provincial governments against each

other. But in the 1955 context, the Lesage statement spoke to a form of bourgeois nationalism . . . within the empire.

In simple fact, the Canadian bourgeoisie, short of committing suicide, was forced to articulate minimum national interests even in a period of professed junior partnership. It could not accept outright political or economic union with the United States; it would from time to time seek to improve the terms of Canada's subordinate relationship to the United States. But very seldom, either in the period under consideration or after, would members of the Canadian bourgeoisie aspire to full-fledged independence or to a thorough break with American influence. As Louis St. Laurent expressed it in the early 1950s:

> ***['] While we sometimes differ about tactics,*** **the rest of the free nations cannot quarrel with the strategy of American leadership["].** (Our emphasis)

Perhaps the best illustration in the 1945-55 period of latent nationalism on the part of the big bourgeoisie, the government, or for that matter, sectors of the petty bourgeoisie, was in an area where it would cost least, namely culture. The Royal Commission headed by that eminent scion of established Canadian wealth, Vincent Massey, addressed the question which the traditional petty bourgeoisie in Quebec has stressed ever since the Conquest, namely *la survivance.* For the Commission, Canada's cultural problems stemmed from the "stern realities of our geography and economics." The size and proximity of the United States, a common language, accounted for influences "pervasive and friendly," but not without danger to Canada's cultural life. Canadian graduate students trained in the United States, because of inadequate funding of Canadian universities, would inevitably be imbued with American values. A disproportionate amount of books, periodicals, films and broadcasts "coming from a single alien source" would stifle creative effort by Canadians themselves.

Where nationalism was concerned, the Commission's philosophy adumbrated that of the Canadian federal state and bourgeoisie for decades to come — the search for a mythical Canadian unity:

> ["] We thought it deeply significant to hear repeatedly from representatives of the two Canadian cultures expressions of hope and confidence that in our common cultivation of the things of the mind, Canadians—French and English speaking — can find true "Canadianism." Through this shared confidence we can nurture what we have in common and resist those influences which could impair, and even destroy, our integrity. In our search we have thus been made aware of what can serve our country in a double sense: what can make it great, and what can make it one["].

In line with the historically defensive role of the state in Canadian economic development, and the new importance of the state in post-war capitalism, the Commission argued for an increased role of government in the arts. Massey and his more academic colleagues had little hesitation in recommending increased federal grants to education and the establishment of what was to become the Canada Council. **They further upheld the dominant position of the Canadian Broadcasting Corporation in Canadian Broadcasting, including television, and the importance of the National Film Board.**

On the whole, the Commission's recommendations met with favourable reception in the press and public opinion. Where there was criticism it was with respect to the CBC monopoly over the licensing of broadcasting; Arthur Surveyer, the other business representative on the Commission, and a number of Canadian newspapers and Members of Parliament, objected to this particular recommendation. The *Financial Post,* however, articulated the larger interests of the Canadian bourgeoisie in supporting the Massey Report. The long-term future of Canadian business, it argued, depended on future generations continuing to think of themselves as Canadians, rather than as "second-carbon copies of Uncle Sam." Or as Vincent Massey told his fellow members of the bourgeoisie in an address to the Canadian Club of Montreal, shortly after the report came down:

> ["]I know that for a generation it has been fashionable to decry "nationalism." I am, however, not convinced that in doing what we can to strengthen and to enrich our own national life we are doing any

disservice to the international cause. On the contrary it seems to me that for many a year, and even for many a generation to come, we can do our best service to the world at large by "rightly ordering our own household."["][70]

The limits of the Massey Report and of bourgeois nationalism are no less evident. Reference has already been made to the Report's denial of the separate national character of Quebec. More important still were the implicit Cold War assumptions that underlay its work. In the Introduction to its recommendations, the Commission quotes a passage from the special study prepared for it by that future ideologue of Tory nationalism, George Grant:

> ["] Unfortunately, just as in the Western world, we are beginning to understand how deeply our spiritual traditions need guarding, just as we are ready to divert some of our energy from technology for that purpose, our society is being challenged to defend itself against a barbaric empire that pits its faith in salvation by the machine["].

The unity of the Western world against the Soviet empire was underlined while the Commission went on to stress the "present crisis," i.e., the Korean War, which formed the backdrop to its Report:

> ***["] Our military defences must be made secure; but our cultural defences equally demand national attention; the two cannot be separated.***[72]

Having opted for American as against Soviet *[i.e., Russian --Ed.]* imperialism, the Commission's ability to combat American influence was open to question, as Canada's most distinguished scholar recognized shortly before his death.[73] ["] Good relations with the United States are so natural and essential to Canadian external policy as to need little comment,["][74] the "nationalist" Massey had written, even before the Commission had been established. The Canadian bourgeoisie might espouse a certain minimum Canadian sovereignty in the political, economic, or cultural spheres, without putting into question Canada's subordination to the United States in the larger scheme of things. This is our reading of bourgeois nationalism during this rising phase of the American Empire.

Turning to other social classes, the smaller bourgeoisie and the traditional petty bourgeoisie of self-employed businessmen, farmers and professionals tended to follow the lead of the big bourgeoisie where relations with the United States were concerned. **The occasional small businessman might speak out against American capital, suggesting that Canadians had had no difficulty in financing war-time victory loans and should look to their own resources, if necessary even to government, to finance post-war development. The overwhelming majority thought otherwise:**

> ***["] Our industrial and natural resources should be planned on a North American basis, not Canadian.["]***

(...)

True, the odd criticism might be voiced in the early 1950s, like the speech by the President of the Canadian Construction Association in 1952, arguing that Canadian construction firms were as competent to carry out the work for American companies coming into this country as the American firms with which American headquarters normally dealt. Canadian small business wanted its share of the crumbs.

(...)

The new petty bourgeoisie, especially civil servants and academics/intellectuals, are a somewhat different kettle of fish. While numerically these were less important in the late 1940s and early 1950s than two decades later (...) many of these were in fact highly important exponents of Canadian junior partnership, helping to formulate post-war liberal "internationalism":

> ["] Our belief is that freedom is valuable and precious in itself, and that the loss of freedom anywhere in the world means an impairment and indeed endangering of our own freedom.[90]

As Marx has once defined such thinkers, they were the

> ["] ...active, conceptive ideologists, who make the perfecting of the illusion of the class about itself their chief source of livelihood.[91]

(...)

Frank Underhill, on the road from Fabianism to Cold War liberalism, lashed out against the Massey Report:
["] This use of the word "alien" seems to me to reveal a fallacy that runs through much of Canadian nationalistic discussion. . . . These so-called "alien" American influences are not alien at all; they are just the natural forces that operate in the conditions of twentieth-century civilization.["]

The editor of a Canadian chemistry magazine could praise North American joint efforts in defence and industrial mobilization in the early 1950s or the pursuit of a continental petroleum policy. Two social scientists in their study for the Massey Commission pointed to the financial lure which American universities held for Canadian scholars.[99] In a more intellectual vein, it can be argued that the very size and scale of American disciplines in both the natural and social sciences gave them an overwhelming advantage in the international marketplace of ideas, especially in the immediate post-war period. Canadian university faculties were small, Europe was experiencing major problems of reconstruction, the main source of intellectual production would naturally enough be the dominant capitalist power, the United States.

(...)

In the larger picture, the branch plant character of the Canadian economy vis-a-vis first Britain, then the United States, the relative backwardness and underdevelopment of Canadian intellectual life, meant an absence of indigenous traditions and schools of thought.

Yet just as the big bourgeoisie could not reject all forms of nationalism, so *a fortiori* could salaried professionals, intellectuals, and civil servants ill afford to do so. The Massey Commission spoke to the concerns of many that at a minimum Canadian culture be preserved. As Henry Angus put it: ["] There are many reasons why the Government of Canada should be particularly active at the present time. The most important is the danger of cultural absorption by the United States, an absorption that would be fatal to visions of a Canadian nation.["]

For writers like Hugh McLennan this was the *sine qua non* of their existence; for musicians like Ernest Macmillan, hardly less important. By extension, a scientist like J.W.T. Spinks could point to the deleterious effects which a branch plant economy was having on indigenous research and development. And in another area, an ex-civil servant like Wynne Plumptre, no enemy of continental arrangements, could take pen in hand to warn of the dangers of annexation inherent in any special trade deal with the United States.

What was lacking in most quarters, however, was a clear perception of American imperialism as a system. A.R.M. Lower occasionally came close to this in his critique of Canada's defence alliance in the late 1940s and of a larger Canadian subservience:

> ***["] Canada in fact could hardly be more completely subject to American industrial imperialism than she is at the moment. Her business world accepts the maximum of American leadership and shows no originality of conception: it is completely imbued with the branch plant, colonial mentality. As a result, Canada does not enjoy all her own wealth. She is an exploited area in a more intense sense than India ever was["].***

(…)

Kenneth McNaught came equally close in a piece in 1950: ["] Today Canada's relationship to the United States appears to be as much one of colonial dependence as was our relationship to Britain during most of the years after 1867["].

Most interesting of all were the critiques of American influence by Harold Innis in such essays as "Great Britain, the United States, and Canada" and "The Strategy of Culture." Already, in articles he had written shortly after his visit to Russia in May-June 1945, Innis had commented on the difficulty which Canada, with its counter-revolutionary traditions, would have in understanding a country with revolutionary traditions such as Russia. In one of his 1947 lectures in England he went on to document the encroachment of American imperialism on Canada in the twentieth century, speaking in a famous passage of Canada moving "from colony to nation to colony." In discussions in the 1940s he spoke caustically of "Pearson... as active as possible in selling us down the river to the United States," and of the need for Canada to seek to encourage Europe to develop a third bloc able to withstand the pressure of the United States and Russia. In his final essay he stated boldly:

> ["] Not to be British or American but Canadian is not necessarily to be parochial. We must rely on our own efforts and we must remember that cultural strength comes from Europe.["] [H.A. Innis, *The Strategy of Culture,* Toronto, 1952]

And as a parting valedictory to Canada:

> **["] We can only survive by taking persistent action at strategic points against American imperialism in all its attractive guises.**

Less dramatically, but in a not dissimilar vein, Innis' future biographer, Donald Creighton, in a 1954 talk denounced America's fostering of its brand of packaged Cold War onto Canada, stressing the need for Canada "to remember that she is a separate and autonomous nation in North America."[116]

But that was about it. A few voices on the centre, the right, or the left advocating a measure of Canadian independence. A larger community of academics and civil servants opposed, no doubt, to formal political or economic union with the United States or cultural eclipse, but not otherwise concerned about Canada's place in the American scheme of things. Petty bourgeois nationalism was as yet a dormant force.

What of the working class and the mainstream trade union movement? Unlike the Canadian experience after World War I,[117] the militancy of labour in the immediate post-World War II period did not translate automatically into a political challenge to the capitalist system. The reforms of the Liberal government in the social security field were probably one contributing reason for this.[118] More significant was the much stronger position in which both the Canadian bourgeoisie and its American counterpart found themselves in 1945. North America alone had escaped the war economically unscathed, and in the new world situation, the economies of both the United States and Canada would enjoy great advantages. A triumphant bourgeoisie is not easily dislodged from power.

The policies of the Trades and Labour Congress (TLC) and of the Congress of Canadian Labour (CCL) were never that radical, even in war-time. Despite the presence of strong supporters of the CCF and of the Communist Party in leadership positions in both federations, and more especially the CCL, [119] one can ask of the 1940s just how radical the trade union rank and file were. Membership in the trade union movement had almost doubled during the war,[120] but the political consciousness of the new members was not necessarily on the left (cf. the federal election of 1945).[121]

More immediately, in the period 1945-48, the developing Cold War thoroughly poisoned relations between communist and social democratic supporters in the trade union movement, thus making any cooperation against American military, political and economic encroachment on Canada impossible. That the Cold War was used as a device by governments and anti-communist labour leaders in both

Canada and the United States to rid the trade union movement of Communist influence is clear enough.[122] ***On the other side, the Canadian Communist Party, with its slavishly pro-Soviet and Stalinist stance, did little to enhance its position among rank and file workers at the very moment when vigorous left-wing leadership was most called for.[123]***

The history of the routing of communist influence in the trade union movement in the late 1940s has been told elsewhere [124] and need not detain us here. ***What is worth stressing, however, is the attempt which the Communist Party made in the late 1940s and early 1950s to pose as the party of Canadian nationalism.***

["] The Abbott Plan . . . indicates the way in which the King Government proposes to subordinate (sic) Canadian economy to monopolistic U.S. finance capital.[125]

["] The point we want to make perfectly clear is that the St. Laurent government and the Canadian big businessmen it represents is selling our independence to Wall St. and Washington, willingly, knowingly, and with malice aforethought. [126]

["]The force that can — nay, which will — stop the Yankee domination of Canada and establish a Canadian national policy of full self-development for our country, **is the force of patriotism; that is to say, true love of Canada, headed by the united and militant working class.[127]**
(Rejecting the CP's popular-front clarion call for all Canadian classes to resist American monopolies, by voting CP or Liberal!; the most conscious elements of the working class swung behind the anti-nationalist CCF instead in the post-WW2 period – Web Ed.)

The analysis was cogent up to a point, though the crude appeal to patriotism smacked more of Stalin's World War II "mother Russia" line than of orthodox Marxism. More significantly, it failed as practical politics. Where criticism of the Abbott Plan was concerned, the CP had no monopoly. Where the wholesale condemnation of American investment and control was involved, there was relatively little concern in Canadian public opinion in the early 1950s, as was pointed out earlier in this chapter. As a Canadian economist had argued in 1948, a majority of Canadians might well believe that Canada should develop as an independent country without agreeing on constructive economic policies "to keep more than a formal Independence."[128]

(...)

The failure of social democracy *(i.e., the CCF)* **and of the leadership of the Canadian labour federations to evolve an independent position in the Cold War was more ominous**. Theoretically at least, this is where the main support for what Innis called a third position between the Soviet Union and the United States should have come from. It is true that at the time of the February 12, 1947 defence agreement, ***M.J. Coldwell had warned:***

> ***["] I do not want to see Washington substituted for Downing street. Let us see that we do not have United States control of our country.[129]***

The Canadian Congress of Labour at its October 1947 Convention had passed a resolution pointing towards an independent position, but it was the last such resolution to be passed:

> ["] Congress is of the opinion that fears of people of the world are brought about by a rampant and militant Russian communistic imperialism . . . and on the other hand by monopoly capitalistic imperialism. The peoples of the world are caught between these two predatory forces. **BE IT THEREFORE RESOLVED that this Convention of the Canadian Congress Labour demands, in the interest of world peace, a cessation of the activities of Communistic and capitalistic imperialism, and goes on record as demanding the enforcement of freedom for all peoples, whether in Greece, Indonesia, or in other countries now under some form of military domination, whether by Soviet Russia, the United States, or other countries.["][130]**

By 1948 the CCF had rallied to the support of NATO;[131] and the CCL, having purged the Communists, followed no less enthusiastically.[132] (Despite significant rank-and-file CCF membership opposition to NATO, and the parliamentary caucus violating this sentiment – Web ed.) In 1950, the

Congress was arguing the need for a firm stand by Western nations against the further extension of "Russian imperialism" in Korea,[133] and A.R. Mosher, in his Labour Day message as President of the CCL, could declare:

> ["] It is no longer possible to have any doubt regarding the menace of Communism to our civilization . . . The democratic countries have been far too complacent in permitting the development of Communist groups, as well as the spread of Communist philosophy throughout the world.[134]

The same stance was echoed by TLC leaders in the early 1950s.[135]

Among the reasons for this Cold War position one can cite the following:

1) Externally, most social democratic parties of Europe had opted for the American camp in fear of repetition of what had occurred in Czechoslovakia or East Germany: this had its influence on the CCF and CCL.[136]

2) Social democracy has always refused to envisage more than a general reform of capitalist society, rather than its revolutionary transformation. For both social democrats and the trade unionists whom they influenced, liberalism was ideologically far more attractive than Marxism or revolutionary socialism.[137]

3) **Most importantly, the Canadian trade union movement was not structurally independent from that of the United States. As was indicated in Table 2.24, so-called international unions accounted for 66.2 per cent of all Canadian unionists in 1945 and 70.5 per cent by the early 1950s. Many of these union members were in manufacturing, mining or petroleum where the new American capital inflow was taking place, and the very presence of American corporations could be used as a justification for American-based unions, even as it had been used in earlier periods of Canadian labour history.[138]** Ideologically, the anti-communism practiced by Walter Reuther and others in their struggle for control of large unions such as the United Automobile Workers set the tone for their counterparts in both the TLC and CCL.[139] Admittedly even a 100 per cent Canadian-controlled trade union movement might have been anti-communist at this stage of the Cold War. **But with the Soviet Union defined as the principal enemy, opposition to American imperialism, including American domination of the Canadian trade union movement, found little support.**

Where the Canadian Congress of Labour would occasionally oppose American influence after 1948 was in those same areas where elements of the big or petty bourgeoisie might also take their stand. ***The congress suggested that the American dollar shortage of late 1947 provided an occasion "for building up our own industries so as to reduce our dependence on the United States."[140] It welcomed the Massey Commission, arguing in its brief that "constant vigilance" was the price of Canada's cultural existence, and that Canadians should be eager to develop their own culture.[141]***

But for the most part it placed cooperation with its fellow American unionists in the war against communism first. The CCL applauded the Secretary-Treasurer of the Congress of Industrial Organizations (CIO) when he declared: ["] You know that the workers of the United States and the workers of Canada have almost the same interests.["][142]

Similarly, *The Canadian Unionist* seconded the comments of George Humphrey, U.S. Secretary of the Treasurer and former President of Iron Ore of Canada, when he officiated at the opening of the Ungava iron mines:

> ["] Here you see a great development of a necessary raw material that is required ***for the preservation of the security of both our countries.["]***[143] (Author's emphasis)

There was little working-class based nationalism in this decade of Cold War and bourgeois hegemony.

The Canada we have been discussing is one where the United States was acquiring majority ownership or control in manufacturing, petroleum and natural gas, and mining and smelting *(cf. Chapter Two, Statement 1 and Table 2.8);* **whose trade was being overwhelmingly reoriented from**

Britain and other countries to the U.S.[144] It was a country whose leaders, after November 1947, were determined to increase Canadian exports of resources to the United States at almost any cost, and for whom differences between domestic and foreign capital were unimportant.[145]

In the larger framework of the Cold War, it was a country which took its place enthusiastically alongside the United States, seldom bothering to ask itself whether its long-term interests were compatible with so unequal an alliance. But could it really exercise free choice?

(...)

Is there not a clue here as to why Canadian nationalism was so timid a force—it seemed to exist but by American sufferance.

Only a few hardened intellectuals, Communists, the occasional CCFer or Tory, the still more occasional capitalist or small businessman, could see that Canada had become a neo-colony. The rest were blinded by the glitter which the Paley Commission/ held out for loyal subordinates—"The future belongs to nations with an abundance of raw materials."[147]

***More accurately, "the future of nations with raw materials belonged, for the time being, to the United States."* And that future, as the Kolkos have observed in their study of post-war American policy, ruled out any radical or strongly nationalist politics:**

> ***["] Essentially, the United States' aim was to restructure the world so that American business could trade, operate, and profit without restrictions everywhere . . . American business could only operate in a world composed of politically reliable and stable capitalist nations, and with free access to essential raw materials. Such a universal order precluded the Left from power and necessitated conservative, and ultimately subservient, political control throughout the globe.["][148]***

Such was the fate of English Canadian nationalism in the period 1945-55.

THEORETICAL CONCLUSIONS

As was argued at the beginning of Chapter 2, the main independent variable for our study is the rise and fall of the American empire. It is quite natural then that the 1945-55 period, given American hegemony over the non-Communist world, should have seen little overt support for nationalism by members of all Canadian classes. Canada's military and political orientation were determined by what transpired in the United States, capital and jobs seemed to depend on an expanding American economic presence, intellectual currents derived from those in the centre of post-war capitalism, the United States.

The colonialism of the Canadian bourgeoisie towards imperial centres through most of Canadian history, the staple-derived resource orientation of large parts of the Canadian economy, made this class particularly open to outside penetration. The big bourgeoisie, e.g., the Canadian Manufacturers Association, was becoming increasingly Americanized during this first post-war decade. It was not in its class interest to oppose the most dynamic capitalist power head-on, especially in what was then a bi-polar world *(the illusion of America vs. the USSR --Web Ed.)* Though there was some resistance in its ranks to features of American domination, (e.g., cultural) and a minimum commitment to the maintenance of formal Canadian sovereignty — the Canadian state in a fundamental sense was *its* state — the big bourgeoisie could hardly indulge in systematic anti-Americanism *(i.e., Canadian independence or perceived neutrality in the 'cold war' -- Web Ed.)* The logic of such a position would have been a weakening of its economic position deriving from close links to imperialism and a potential radicalization of class consciousness on the part of the Canadian working class, the big bourgeoisie's mortal enemy, in an anti-imperialist struggle.

The smaller bourgeoisie and the traditional petty bourgeoisie for their part lacked any firm class

interest in challenging the big bourgeoisie or its ally, American imperialism. The prosperity of the post-war years coupled with the discovery of oil in Western Canada undercut the historical basis of agrarian populism, while small businessmen and self-employed professionals, no less than farmers, derived benefits from the resource-fueled expansion. Ideologically, anti-communism was all-pervasive, cementing the class alliance between these groups and the big bourgeoisie.

The new petty bourgeoisie was not yet the numerical force it was to become in the Canada of the 1970s; the state was but a fraction of its future size. Given the close alliance between Canadian and American capitalism in this phase of the American empire, it would have been suicidal for those working for the capitalist state, e.g., the federal civil service, to assert a strong independentist ideology. State interest and imperial interest seemed to coincide, a bond which would begin to come apart only when imperialism itself had weakened, two decades later.

The intelligentsia, e.g., the academic estate, much smaller in numbers than it was later to become, was in important respects a sheltered colonial-minded intelligentsia. It took no great persuasion for its members to transfer their loyalties from a declining England to a rising United States (the process had already begun before World War II), all the more when the overwhelming majority of scholars, as the Massey Report had noted, were receiving their advanced training in the United States. To be critical of American imperialism would have required some sense of an alternative, a project which that phase of Canadian capitalism rendered impossible. And lacking, as Innis had noted, the revolutionary tradition which in Europe, by comparison, was to turn much of the intelligentsia leftwards from the 1930s on, Canadian intellectuals came to identify with the successful custodian of counter-revolution in the post-war years, the United States. Their faith would only alter as the American star began to decline.

The working class, finally, might have been anti-imperialist ***if it had been more class conscious.*** *(Emphasis by the author).* There is a direct correlation between the fundamental acceptance of capitalism that characterized the Trades and Labour Congress, the Canadian Congress of Labour or *(on?)* the ranks of unorganized labour and the inability of the Canadian working class to oppose American imperialism. The very domination of the AFL and CIO over the Canadian trade union movement now made working class radicalism more difficult to achieve. Yet more significant was the hegemony which capitalism and the big bourgeoisie, American and Canadian, held over the working class of North America in the post-war years. Prosperity worked miracles, while the Cold War made the task of bourgeois domination a good deal easier on both sides of the border. ***For its part, the anti-communist leadership of the Canadian trade union movement, like that of the United States to which it was allied, facilitated the wholesale integration of the working class into an American-dominated capitalism. Imperialism helped mould and destroy working class consciousness in Canada.***

FOOTNOTES TO CHAPTER THREE *(selection by Web Ed.)*

1. Cf. M.C. Urquhart and K.A.H. Buckley, eds., *Historical Statistics of Canada,* Toronto, 1965 Series F193-207, p. 169, showing a decline in the British share of non-resident investment in Canada from 53 per cent in 1920 to 36 per cent ten years later, and the corresponding American increase from 44 per cent to 61 per cent by 1930.

(...)

9. Through the late **1940s and early 1950s the annual rate of growth in American direct investment averaged well over 10 per cent**, figures which had only been equalled in the pre-1930 period. Statistics Canada, *Canada's International Investment Position 1926 to 1967,* Ottawa, 1971. pp. 27, 111.

10. Cf. the discussion in John W. Warnock, *Partner to Behemoth,* Toronto, 1970, Chapter 5, or the author's article, "Canadian defence policy and the American empire" in Ian Lumsden, ed., *Close the 49th Parallel, etc.,* Toronto, 1970, pp. 94-115.

11. Lester Pearson, speech at Rollins College, Florida, February 21, 1954 in *External Affairs,* Ottawa, March 1954.

(...)

15. Cf. Sir Vincent Meredith, President of the Bank of Montreal, speaking in 1926: "I do not share this fear (of American investment), but rather welcome the flow of money, which must assist in the development of our natural resources, give employment to labour, and increase our exports to other countries." Cited in an editorial in the *Canadian Forum* of February 1926, entitled "Peaceful Penetration," and reprinted in Granatstein and Stevens, eds., *op. cit.,* p. 36.

(...)

21. Sydney Dobson, President, Royal Bank of Canada, *The Financial Post,* January 17, 1948, p. 20. Cf. also the speech by Douglas Abbott in New York pointing out that $1.75 billion in interest and dividends had been paid out to American investors since the beginning of the war and suggesting Americans find out more about their largest customer, supplier, and field of investment. *The Financial Post,* January 10, 1948, pp. 11-12.

22. "Our governments have agreed to continue for the time being a close working partnership on economic problems . . .In view of the high degree of economic interdependence of the Canadian and American economies, the Government of the United States desires to assure the Government of Canada that it will consider and deal with the problems of transition from war to peace in the spirit of the Hyde Park Declaration . . .", a U.S. official cited in *The Financial Post,* February 21, 1948, p. 13. "What Does Hyde Park Deal Mean For Canada Now?"

23. In an accompanying article incredibly titled "No Threat to Sovereignty," FebruarVjl, 1948, p. 13.

24. "When my .honourable friend says that we are taking orders from another country, hWis talking rubbish." Douglas Abbott to Howard Green, Canada, House of CommoTis Debates, Session 1948, Vol. 1, p. 559.

(...)

28. See Stephen Scheinberg, "The Indispensable Ally: Canadian Resources and the Cold War," Canadian Historical Association Papers, June 1975, pp. 13-14, for a discussion of these negotiations.

29. "*Life Magazine* advocates economic union with Canada," *The Financial Post,* March 20, 1948, p. 11.

(...)

33. In addition to the two presidents mentioned, the editor of the *Victoria Daily Times* spoke of the need for early and dispassionate consideration of the customs union proposal, while the editor of the *Saskatoon Star Phoenix* argued that *Life* magazine was right, and that Canada would not get along without the U.S., nor the U.S. without Canada. *Ibid.*

34. Cf. Tie Economic Council of Canada, *Looking Outward: A New Trade Strategy for CanaaaJ*Ottawa, 1975 and the study done for the Economic Council by Peyton V. *LyonJSanada—United States Free Trade and Canadian Independence,* Ottawa, 1975f

(...)

41. For a typical example of junior partnership at work, compare the following passage from a speech by Louis St. Laurent, Prime Minister of Canada and a corporate lawyer in his own right, to a Convocation at Northwestern University, Illinois, on June 11, 1951: " . . . the United Stales is, I repeat, inevitably the dominant factor in the free world. We in Canada who are your closest neighbours, know that you have never, in any crisis, failed to uphold the freedom which this nation was founded to preserve. We know you will not fail in this crisis to give our partnership the leadership it must have to uphold the freedom of mankind." *External Affairs,* July 1951, pp. 245-8.

45. *The Financial* Post editorial, "Not Just Canadian Defense," April 23, 1955.

(...)

49. CD. Howe had told a New York audience in April 1953: "The St. Lawrence Seaway is and always has been a Canadian seaway," underlining the point that Canada could well go ahead on its own. *The Financial Post,* April 11, 1953, p. 22. In an editorial as late as May 15, 1954, *The Financial Post* could argue: "To build the Seaway ourselves may still be the final and most satisfactory course."

50. Cf. Eisenhower's address to both houses of parliament on November 14, 1953: "Joint development and use of the St. Lawrence-Great Lakes waterway is inevitable, is sure and certain. With you I consider this move a vital addition to our economic and national security." In Swanson, *op. cit.,* p. 154.

51. July 10, 1954, editorial, strongly criticizing U.S Senate Majority and Minority Leaders, William Knowland and Lyndon Johnson, for threatening U.S. withdrawal from the UN if China were admitted.

52. October 23, 1954. In the same issue, an article by Michael Barkway argued that "Energy determines the location of industry" and that the Americans were coveting Canadian resources, p. 19.

(...)

71. Professor George Grant, Special Study, pp. 28-9, cited in the *Report,* p. 272.

72. *Report,* Part 11, p. 275.

73. Harold Innis' "The Strategy of Culture" is subtitled "With Special Reference to Canadian Literature—A Footnote to the Massey Report." *The Strategy of Culture,* Toronto, 1952. A close associate of Innis, the economic historian J.B. Brebner, in a commemorative article, argued: "He (Innis) was from the beginning perturbed by Canada's historical vulnerability and subordination to powers beyond her control. He masked his self-dedication well, subconsciously and perhaps consciously, until his last finished utterance, "The Strategy of Culture," in which he aimed to make up for what heregarded as the timidity of the Massey Report." Canadian Historical Association, *Papers, 1953,* "Harold Adams Innis as Historian," p. 14.

74. Vincent Massey, *On Being Canadian,* Toronto, 1948, p. 115. Massey also writes: "This threat (Communism) which Christianity faces should have the effect of drawing together Roman Catholic and Protestant whatever language they speak, confronted as they are by a common enemy, p. 23. The Cold War was a useful instrument in cementing Canadian federalism.

(...)

85. 77te *Farmer's Advocate* as early as March 11, 1948, after the Communist takeover of Czechoslovakia, had argued that appeasement wouldn't work, while *The Country Guide* of April 1949, in welcoming the Atlantic Pact, argued that neutrality was impossible in the contemporary world.

(...)

90. Lester Pearson in the House of Commons, February 2, 1951. Reprinted as "The Basis for Canadian Far East Policy" in *External Affairs,* February 1951, p. 38.

91. Karl Marx and Frederick Engels, *The German Ideology,* p. 65.

91. In reply to *The Financial Post* question, "Should we teach more Canadianism in our schools?" September 15, 1951, p. 11.

(...)

99. B.S. Keirstead and S.D. Clark, "Social Sciences" in *Royal Commission Reports: A Selection of Essays on National Development in the Arts, Letters and Sciences,* Ottawa, 1951, pp. J 79-189. *American* academic salaries were roughly twice those of Canadian, leading the authors to the conclusion: "Canadian universities get a small number of first class scholars who are willing to sacrifice both Financial advantage and greater scholarship opportunities in order to serve their country and scholarship at one and the same time." P. 180.

(...)

117. Cf. Norman Penner, ed., *Winnipeg, 1919: The Strikers' Own History of the Winnipeg General Strike,* Toronto, 1973. The author might add that he is far from persuaded by the efforts of such writers as Kenneth McNaught and David J. Bercuson, *The Winnipeg Strike: 1919,* Longman, Don Mills, 1974, or David J. Bercuson, *Confrontation in Winnipeg,* Montreal, 1974, to downplay the radical significance of the Winnipeg Strike. Arthur Meighen had a clearer conception of the threat to the bourgeoisie's interests that these latter-day academics.

118. Cf. Mary Elizabeth Wallace, *The Changing Canadian State: A Study of the Changing Conception of the State as Revealed in Canadian Social Legislation: 1867-1948,* Ph.D. thesis, Columbia University, 1950, especially Chaps. XII-XV.

119. Cf. Gad Horowitz, *Canadian Labour in Politics,* Toronto, 1968.

120. Union membership in Canada increased from 359,000 in 1939 to 711,000 in 1945. Urquhart and Buckley, eds., *Historical Statistics of Canada,* Series D412-413, p. 105.

121. In the 1945 federal election, the Liberals polled 2,170,625, the Progressive Conservatives 1,455,453, the CCF 822,661, Social Credit 214,998, the Bloc Populaire 173,427 and the Labour Progressive Party (i.e., Communists) 111,892. Urquhart and Buckley, eds., *op. cit.,* Series W74-164, p. 617.

122. Cf. Ronald Radosh, *American Labor and United States Foreign Policy,* New York, 1969, in particular Chap. XIV "Labor's Cold War: An Evaluation." See also Charles Lipton, *The Trade Union Movement in Canada 1827-1959,* Montreal, 1968, especially pp. 276-7, for a brief discussion of the Canadian government's role in the smashing of the Canadian Seamen's Union.

123. For a by no means unbiased account of the Communist Party in the late 1940s and early 1950s see the recent history by Ivan Avakumovic, *The Communist Party in Canada,* Toronto, 1975, Chap. 7, "The Cold War." For another account, see Norman Penner, *The Socialist Idea in Canadian Political Thought,* Ph.D. thesis, University of Toronto, 1975, Chap. IV.

124.Cf. Irving Martin Abella, *Nationalism, Communism, and Canadian Labour,* Toronto, 1973, Chaps. 5-8.

125. Tim Buck, "Keep Canada Independent," Report to Labour Progressive Party National Committee, January 5-9, 1948, in Tim Buck, *Our Fight For Canada,* Toronto, 1959, p. 278.

126. Ib*id.,* p. 266.

127. "The Dilemma of Canadian Capital," in Buck, *op. cit.,* p. 230.

128. *J.* Douglas Gibson, "General Review," in Gibson, ed., *Canada's Economy in a . Changing World,* Toronto, 1948, pp. 306-7.

129. M.J. Coldwell, Canada, House of Commons Debate, Session 1947, Vol. 1, pp. 392-3.

130. *The Canadian Unionist,* organ of the Canadian Congress of Labour, Ottawa, November 1947, pp. 251-2.

131. Cf. Coldwell's intervention both in the April, 1948 Commons debate and again during the debate on ratification of the treaty in March, 1949, where in the words of R.A. Spencer, *Canada in World Affairs 1946-1949,* Toronto, 1959, he "firmly repudiated the elements in his party which hankered for a neutral position in the cold war, and pledged the CCF's support for Canada's position in the north Atlantic pact." P. 276.

132. Cf. *The Canadian Unionist,* June 1948, "The Rising Tide of Communism," an article strongly supporting St. Laurent's hard line; the CCL Resolution of autumn, 1948 urging Canadian participation in the Atlantic Defence Conference against totalitarianism, *Canadian Unionist,* November 1948, p. 255; or the Congress Memorandum to the federal government supporting NATO, *The Canadian Unionist,* April 1949.

133. *The Canadian Unionist,* editorial, July 1950.

134. *Ibid.,* August 1950, p. 178.

135. Cf. Lipton, *op. cit.,* "1950 TLC Convention: Developments in Foreign Policy, 1950-1953," pp. 287-94.

136. This was the explanation given to the author in an interview he had with David Lewis in Ottawa in late December, 1967.

137. Thus *The Canadian Unionist* featured prominently speeches by N.A. MacKenzie, President of UBC, urging a middle way between socialism and pure laissez-faire capitalism, with maximum respect for individual rights or by F. Cyril James, Principal of McGill, arguing that no liberty was possible without responsibility, in issues between May and September, 1949. Lester Pearson's Cold War speeches were also given great prominence.

138. Cf. Robert H. Babcock, *Gompers in Canada,* Toronto, 1975, Chap. 3, "The rise of branch-plants."

139. Cf. Radosh, *op. cit.,* Horowitz, *op. cit.,* and Abella, *op. cit.*

140. CCL Memorandum to the Federal Government, March 5, 1948, *The Canadian Unionist,* March 1948, p. 55.

141. *The Canadian Unionist,* January 1950, "Canada's Cultural Independence."

142. Address by James B. Carey to the CCL Convention, Toronto, 1952, "What Americans like about Canada," *The Canadian Unionist,* October , 1952.

143. "Milestones in Industrial Progress," *The Canadian Unionist,* September 1954, p. 286.

144. Canadian imports from the United States were never less than 2/3 of all her imports after 1945, while her postwar exports to the U.S. averaged some 60 per cent of all exports. The pre-World War II figure, especially for exports, was far lower. Urquhart and Buckley, eds., *Historical Statistics of Canada,* Series F348-356, p. 183.

145. "In the present buoyant state of the Canadian economy the argument that keeping raw materials in this country increases jobs is not only academic, it is also fallacious." CD. Howe, Canada, House of Commons Debates, Session 1956, Vol. VI, p. 5798.

"It seems to me that if a responsible group of men, be they Canadians or Americans, properly financed and having the proper background and experience, apply to this Parliament for incorporation, they are entitled to incorporate." CD. Howe, cited in Leslie Roberts, *CD. The Life and Times of Clarence Decatur Howe,* Toronto, 1957, p. 171.

146. *Fortune,* August 1952, p. 91.

147. *Ibid.*

148. Joyce and Gabriel Kolko, *The Limits of Power,* p. 2.

The Land of Cain
Class and Nationalism in English Canada (1977)

by Philip Resnick

Chapter 4
The rejection of nationalism 1955-1965

(All emphasis by the Web Ed.)

The growth of nationalism in a dependent political state is as natural as in another context the rebellion of a working class or peasantry long-oppressed. Elements of the bourgeoisie and petty bourgeoisie may prefer collaboration to revolt, the working class itself may pay little attention to external controls, but the process can only go so far. Inevitably, the hold of the dominant country will weaken, a few intellectuals here, a few political leaders there, will draw attention to the distortions in economic, political, or cultural development of the weaker country, and the underbrush will be set afire. So, at least, the scenario for many nationalist movements in the twentieth century might suggest.

Canada in the immediate post-war period was, as we have seen, in a peculiar position. Nationalism was seen as a disease by spokesmen for all social classes, while the very development of the country seemed to hinge on the closest possible relations— political, no less than economic—with the United States. To be sure, the existence of a separate Canadian state was not seriously challenged by the U.S., nor need it have been. For aside from culture, there was little questioning, save for isolated elements on the right or left, of Canada's position as a junior partner to the United States.

(...)

May 1956 marked a turning point in the hitherto positive attitude to American capital inflow, and the defeat of the Liberals a year later, and still more the Conservative landslide of 1958, could be interpreted by some as a signal victory for Canadian nationalism.[2] Just how significant was the debate between 1955-57, and what are some of the lessons of this first foray into economic nationalism?

As early as December 1954, the President of the Bank of Toronto, B.S. Vanstone, had urged capital self-sufficiency as a new goal for Canadians.[3] In the spring of 1955, the Liberal government, despite CD. Howe's reluctance,[4] established a Royal Commission on Canada's Economic Propects which among other things would delve into "prospective requirements for, industrial and social capital."[5] In May 1955, the new President of the Bank of Canada, James Coyne, weighed in with the first of what was later to become a succession of speeches, in this instance predicting “a greater measure of autonomy and independence on the part of Canadian management, . . . growing national strength.”[6]

Several months later Coyne returned to the charge in a more dramatic vein:

> “Modern history is filled with sad examples of foreign corporations operating in a country with almost complete disregard for their inherent obligations to the people of the country in which they operate.
>
> Why then cannot more of the foreign corporations doing business in Canada . . . recognize that the Canadian people not only desire to be, but are becoming determined to be, active partners in Canadian enterprises?[7]

Bourgeois nationalism had found an important spokesman in the state-owned pinnacle of finance capital.[8]

Coyne's, moreover, was *not* a solitary voice. The President of Ford of Canada, Rhys Sale, could disparage Canadian willingness "to see such a large share of Canadian enterprise slip across the border."[9]

T.F. Moore, formerly a Canadian investment dealer, now Vice-President of another major United States subsidiary, Imperial Oil, could be more explicit:

> ***"If the spread of the American way of living is to be conducted on the basis of absentee ownership, then Americans must reconcile themselves to the hostility that has frequently been the lot of the absentee owner in all parts of the world. A good deal of this sort of hostility can be avoided by sound and well conceived policies. I would suggest that decentralization— including local shareholder representation where feasible— should be a cornerstone of such policies.[10]***

In the interest of the American empire itself, American branch-plant presidents and indigenous bourgeois spokesmen articulated exactly the same demand — greater Canadian equity and managerial participation in American-controlled enterprises.

In early 1956 the debate took a sharper tone. Michael Barkway, in a series of articles in *The Financial Post,* highlighted Canada's growing dependence oh U.S. investment.[11] *The Financial Post,* citing a recent Dominion Bureau of Statistics study on the scale of American investment, argued that Canadians had never been less enthusiastic about the idea of being taken over by the United States.[12] And the Leader of the Progressive Conservative Party, George Drew, declared in Hamilton, Ontario that "Canadians should declare their economic independence of the United States."[13]

Frustration with continental economic arrangements was to reach a crescendo in the combined Conservative and CCF opposition to Howe's proposal for an $80 million loan to the America-controlled Trans-Canada Pipeline to complete its gas pipeline from Alberta to the east. ***Speaking for a fraction, at least, of the Canadian big bourgeoisie, Drew could call for "an all-Canadian pipeline under Canadian control."[14] Another Conservative member, Margaret Aitken, summed up Liberal policy on the pipeline in five words, "United States first, Canada second."[15]*** And the future Conservative Minister of Finance once again spoke of asserting "Canada's independence of United States economic domination."[16]

The main grievances of the Tory nationalists were outlined in the debate which the Conservatives sparked on July 8-9, 1956, on natural resources. They mentioned a heavy outflow of interests and dividends to the United States; foreign interests controlling the pricing policies of subsidiaries; senior positions in subsidiaries not being held by Canadians; a lack of information about the affairs of the subsidiary; exports and industrial research by subsidiaries being held back; and the application of American anti-trust laws in Canada.[17] Their motion called for a national development policy, greater processing of natural resources in the country, and wider financial participation by Canadians.[18]

Significantly, George Drew prefaced his critical remarks about United States investment with genuflections at the altar of the Cold War:

["] Behind every consideration of the future must be a recognition of the reality of the Soviet empire.["][19]

And Donald Fleming added:

> ***["] The United States is a good neighbour. Let no one misunderstand anything we have to say concerning our trade with the United States. We recognize the burden of leadership that the United States is bearing in the world today. We recognize the burden that she is carrying for the benefit of all the western world.["][20]***

Anti-imperialism, at least opposition to American imperialism, mixed very uneasily with Conservative ideology.

Nonetheless, from mid-1956 on, a limited form of bourgeois nationalism had come home. **Michael Barkway, in an October 1956 article, could correct CD. Howe's jaundiced view of a mere 6 per cent Canadian dependence on foreign capital for new investment, estimating it at one-third.[21] The Dominion Bureau of Statistics, noting that no other highly industrialized country has such a large**

proportion of industry controlled by non-resident companies, soon updated the figure to 40 per cent.[22] Bank presidents weighed in, underlining Canadian concern about "extremely small Canadian participation" in "important sectors of their economy"[23] and suggesting that "a somewhat smaller flow" of American capital "might be healthier for us."[24] Even CD. Howe, stalwart defender of post-war continentalism, found it prudent in two October 1956 speeches in Milwaukee and Chicago to warn American investors to ["] ...reckon with the pride of Canadians . . . with the normal feeling of nationalism which is present in Canada, just as in the United States.[25]

More specifically Americans should: a) admit equity participation for Canadians, b) make use of Canadians in top management, c) publish the financial results of Canadian companies, and d) allow branch-plants to engage in export trade.

The *Preliminary Report* of the Royal Commission on Canada's Economic Prospects (the Gordon Commission) in 1956 and the *Final Report* a year later sounded a stronger warning. **They spoke of traditional Canadian insecurity vis-à-vis the United States reinforced by American domination in the resource and manufacturing sectors. This in turn sparked fear of full-scale economic and political integration with the United States and was affecting the political climate in Canada.[26]** ***The Commission documented the growing rate of American direct investment in the post-World War II period,[27] suggesting that "legitimate Canadian interests" might be "overlooked or disregarded."[28]***

Yet the tone of the *Reports* was "moderate," to quote the commissioners themselves, and their specific recommendations regarding Canadians in senior management, Canadian equity participation, and full disclosure of the financial operations of Canadian subsidiaries[29] recalled CD. Howe and others.

Repeatedly the Commissioners stressed that foreign capital brought great advantages — from a high rate of economic growth and standard of living to access to technology and research[30] — while their final exhortation betrayed ultimate agreement with the larger purpose of junior partnership within the American empire:

> ***["] . . . to do nothing would be to acquiesce in seeing an increasing measure of control of the Canadian economy pass into the hands of non-residents and*** **to run the risk that at some time in the future a disregard for Canadian aspirations will create demands for actions of an extreme nature.** After considering the problem long and carefully we have come to the conclusion that the best course for both Canada and for foreign investors with capital in this country would be for us to take action along the *very moderate* lines we have suggested. ***We do not believe such action would result in any appreciable slowing down in the rate at which foreign capital will continue to flow into this country. We do believe, however, that any harmful effects and implications of non-resident control would be reduced substantially if the proposals we have made are implemented.[31]*** *(The author's emphasis).*

"Then know that I, one Snug the Joiner, am [in] . . . no lion's [den]," the successors to that earlier enterprise in bourgeois nationalism, the Massey Commission, seemed to be saying.

The proof of the essential vacuousness of the economic nationalism of the 1955-7 period was swift in coming. The election of the Diefenbaker government in June 1957 theoretically gave the Conservatives the power to enact the very measures they had lambasted the Liberals for ignoring a year before. Upon entering office the new Prime Minister judiciously declared that while not against American investment in Canada, he felt Canadians were presently discriminated against.[32] Several months later, in his first speech in the United States, at Dartmouth, New Hampshire, he sounded a moderately nationalist tone:

> ["] There is an intangible sense of disquiet in Canada over the political implications of large-scale and continuing external ownership and control of Canadian industries . . . ***Canadians ask that United***

States companies investing in Canada should not regard Canada as an extension of the United States market, that they should be incorporated as Canadian companies making available equity stocks to Canada . . .["][33]

Yet little concrete followed. *(Except that Dief was hounded out of power and replaced by the 'natural ruling party,' the continentalist Liberal [Pearson] government – Web Ed.)*

Trade talks between Canadian and British Ministers at Mont Tremblant, Quebec in October 1957 came to naught, to no small extent due to Canadian failure to seriously envisage a major shift from the United States to Britain.'[34]

A Royal Commission on Energy was established, ultimately leading to the establishment of the National Energy Board. But in the real world of energy negotiations of the 1960s, e.g., Canadian oil and gas exports to the United States, the National Energy Board was to prove worthless.[35]

Ford Motor Company prevented its Canadian subsidiary from exporting trucks to China in early 1958, but no legislation resulted.[36]

The *Financial Post* **documented the continuing takeover of Canadian corporations and assets through 1958, but might as well have been talking to itself.**[37]

There was little to justify John Diefenbaker's boasting to the Pilgrim Society in New York in October 1958:

> ["] Tonight I feel reassured that beneficial changes have taken place in Canadian-American relations since I spoke at Dartmouth fourteen months ago.["][38]

Diefenbaker's Minister of Trade and Commerce, Gordon Churchill, betrayed the shallowness of Tory convictions in his declaration to a Chicago conference around the same time:

> ["] There is no real alarm of fear in Canada. There is no real anti-Americanism.["][39]

Despite an undoubted element of nationalism that had surfaced in English Canada in the middle 1950s, in the Pipeline Debate, in General McNaughton's defence of Canadian interests on the Columbia River,[40] **or in the outcry that had followed Herbert Norman's suicide in Cairo following repeated hounding by Congressional Committees,**[41] **there was little willingness to challenge the American empire head on.** In the defence and foreign policy fields, Canada remained in the American hip pocket, as even the rare critic could note at the time:

> ***["] The tragedy of Canada in world affairs is that its ambition has been much greater than its situation could support. We would be much more secure in our aspiration to contribute to world causes if we paid more attention to our own national identity.***[(42)]

In the economic field, even those who questioned features of American investment or influence in Canada rarely challenged American leadership in the larger world. ***The free nations of the West must stick together, argued*** *(prominent Liberal businessman –Ed.)* ***Walter Gordon in a January 1958 speech. U.S. leadership was moral as well as economic and political***. Allied countries should make constructive suggestions and criticize policies, but this should not be done too often or too vehemently.[43]

The President of the Canadian Manufacturing Association for 1958, H.V. Lush, one who welcomed the Conservative triumph that year as an assertion of the "innate Canadian spirit of independence" and of Canada's unwillingness to become a 49th state, went on to argue that the election had not been the outcome of hatred for the United States. Americans should recognize "the difference between a willing partner and an unwilling satellite."[44] *Willing partnership* with the United States certainly was to be provided on most questions by the Diefenbaker government — like Liberal governments before and after.

American power in the late 1950s and to a lesser extent early 1960s, as our discussion in Chapter Two would suggest (cf. Table 2.4), was still sufficiently hegemonic to dampen moves to nationalism in allied and associated states. Britain and France had been forced, under American pressure, to bite the dust at Suez, and it was only with the termination of the Algerian War in 1962 and against the backdrop of the growing economic power of the Common Market that de Gaulle, and de Gaulle *alone* among European leaders, could give freer reign to his nationalism. The Cold War was far from over in the 1955-65 years, despite the beginnings of Soviet-American rapprochement in the Khrushchev years. Whatever the rhetoric of Canadian nationalism might have been between 1955-57, the reality of subsequent years pointed to the rejection of nationalism.

The Diefenbaker government entered into a new defence alliance with the United States, NORAD, soon supplemented by the Defence Sharing Agreement; the Pearson government in 1963 accepted the nuclear weapons that capped the arrangement.[45] The Columbia negotiations ultimately ended in the export of Canadian power and the alienation of downstream benefits.[46] The Autopact of 1964 opened the door to even closer integration of the Canadian automobile industry with that of the United States, while repeated Canadian appeals for exemption from American tax equalization legislation and capital export controls underlined the vulnerability of a branch-plant economy. In 1964, *Time* **and** *Reader's Digest* **were exempted from legislation taxing Canadian advertisements in foreign periodicals;[47] in 1965 the Merchant-Heeney Report elevated the concept of quiet diplomacy, i.e., Canadian subservience to American foreign policy, to official doctrine. In Vietnam, all the while, despite occasional dissent, Canada toed the American line on the International Control Commission, even while increasing its arms sales to the United States under the Defence Sharing Agreement:[48]**

> ["] *(Lester Pearson, 1965:).* . . . the intervention of the United States in Vietnam was at the request of the Government of the country. It was an honourable intervention, we should remember this, not inspired by any mean or nationalistic motive or imperialistic motive.["][49]

To be sure, in a minimum way Canadian nationalism, by which we mean the sense of Canada as a distinct country, continued to exist through the second decade of the Cold War. A Conservative Minister such as Davie Fulton might attack American anti-trust legislation, threatening Canadian legislative retaliation for any encroachment on Canada;[50] his colleague the Postmaster General attacked American magazine split runs, arguing that Canada had to have an economic and cultural pattern of its own.[51]

Tne Conservative Minister of Finance, Donald Fleming, imposed a 15 per cent withholding tax on interest and dividend payments to non-residents in December I960;[52] his Liberal successor, Walter Gordon, sought to up the *ante* in his ill-fated budget of 1963. In foreign policy, Canada did ***not*** break diplomatic relations with Cuba following the Revolution (though not unrelatedly, Canadian banks, unlike American banks, ***were*** compensated *(by the revolutionary government -- Web Ed.)*, following nationalization in I960[53]). **Diefenbaker and Green tried to avoid arming the Bomarc with nuclear weapons and paid the price in April 1963** *(a reference to the Eastern Tory-Liberal pro-Pentagon witch-hunt which ensured his parliamentary defeat --Web Ed.)* [54] ***Even Pearson, a committed continentalist, permitted himself an occasional difference with American policy, as in his Temple University speech of April 1965 calling for a temporary American suspension of the bombing of North Vietnam;[55] while on the home front, his government could indulge in symbolic gestures, such as the maple leaf flag of that same year.***

Overall, nationalism was not a dominant concern of government or of any social class in English Canada. Here and there, however, spokesmen and theorists of nationalism made their appearance. As often as not they came from the ranks of the big bourgeoisie, less often from the smaller bourgeoisie or the petty bourgeoisie, old and new, almost never from the working class. ***The result was that nationalism in this period took a decidedly bourgeois form, though the big bourgeoisie as a whole was overwhelmingly opposed to any but the most cosmetic form of it.*** By comparison, nationalism in Quebec in the early 1960s tended to be more of a new middle class or new petty bourgeois phenomenon, something it was to become in English Canada as well between 1965-75.

Why it should have been the Walter Gordons or James Coynes or in a related field financial journalists such as Michael Barkway and James B. McGeachie, who articulated a limited form of English Canadian nationalism, particularly economic nationalism, is an interesting question. At the least it suggests that a fraction of the Canadian bourgeoisie (and its ideologists) had the same perception of nationalism and its uses as the bourgeoisies of long-established countries such as Britain, France and the United States had always had, or that from time to time had motivated the Canadian bourgeoisie itself (e.g., the National Policy, the building of the CPR, the rejection of Reciprocity in 1911). It is after all natural that a big bourgeoisie that indentifies its own interests with a nation espouse a form of nationalism:

> ["] Founded in this very city within five years of Confederation, the Canadian Manufacturers Association has survived and gone from strength to strength through good times and bad—as Canada, the nation, has done.["][56]

What is therefore interesting is not that **some** ***bourgeois spokesmen supported nationalism but rather*** **how few** ***comparatively these were.*** **In the heyday of American imperialism, the major portion of the bourgeoisie of a dependent country such as Canada came to see its class interest as lying in the closest possible interaction, short of outright absorption, with the bourgeoisie of the imperial power, represented in the Canadian economy through the branch-plants.** *(Emphasis by the author).*

What after all were the grievances of the bank and branch-plant presidents between 1955-57, if not those of loyal collaborators wanting a better deal? Robert Fowler, President of the Canadian Pulp and Paper Association, stated the precise maximum that most Canadian capitalists wanted from the American corporations in the 1955-65 period:

> ["] The first essential is decentralized, autonomous Canadian management in the subsidiary . . . An American company operating in Canada must go to some lengths to discover what are the broad objectives of Canadian policies and what are the basic aspirations of the Canadian people, and seek not only to identify with them but to work towards furthering them.["][57]

Fowler in his speech ruled out any legislative coercion against American companies, even while underlining the basic compatibility of the branch-plant system and Canadian development.

A similar statement of corporate philosophy lay in the brief of the Canadian Manufacturers Association to the Gordon Commission. It argued many of the same points regarding Canadian managers and equity participation which the Commission was itself to make. But the Association ***continuation of a business climate which will attract and welcome outside capital."[59]***

A still better indication of the way the wind was blowing came with the formation of the ***Canadian-American Committee*** **in 1957, eventually grouping some 60 prominent Canadian and American leaders from business, the professions, and labour**. (See Appendix 1 for a list of Committee members in 1958 and 1964.) The *raison d'être* of this Committee, as its Canadian Co-chairman, Robert Fowler, outlined it at its opening session lay in ***["] ...the growing interdependence of the United States and***

Canadian economies stemming from their rapid growth; the imperative for seeking out and eliminating basic causes of friction in United States-Canadian relations; and the particular opportunities available to a group of private citizens from both countries to marshal facts and reach well-reasoned and practical solutions for United States-Canadian problems.["][60]

While there was nothing in this statement incompatible with demands for more Canadian directors, equity, etc., of the type we have been outlining, (and men like CD. Howe, Walter Gordon,[61] and several branch-plant presidents were members of this Committee in its early years), it did not presage a critical, let alone a strongly nationalistic approach to Canadian-American relations. **Interdependence was taken for granted, not least of all by the Carnegie Foundation that paid the initial tab.[62] The Committee remained carefully attuned to "increased sensitivities in Canadian-American Relations" in the early 1960s, [63] becoming a proponent of "a North American common market in capital,"[64] free trade between Canada and the United States,[65] and much besides.**

What was true for the Canadian-American Committee was no less true for many members of the Canadian big bourgeoisie. The President of the CPR, N.R. Crump, in a 1957 New York address, repudiated "any sentiments of narrow nationalism" in Canadian attitudes towards the United States. Stressing a common tradition of democracy and freedom, he argued the positive effects of American investment for Canada's growth and trade balance.[66] **The spokesman for the main 19th century beneficiary of protectionism in the era of British imperialism, now peddled a tune more in keeping with the big bourgeoisie's American alliance** *(thanks are due to our radical author for this insight -- Web Ed.)*

And as James Coyne began his series of speeches on foreign investment in 1960-61 that were to culminate in his removal from office, the opposition of bankers, insurance company presidents and industrialists to any interference with the inflow underlined how superficial earlier criticisms of American practices (between 1955-57) had been. One spokesman dismissed the whole debate on foreign capital as "twaddle talk,"[67] a second underlined the stake Canadians had in the position of the United States at the head of the Western Alliance,[68] while still a third stressed the contribution American investment had made to the Canadian standard of living, while decrying anti-Americanism.[69]

Yet there was a minority sentiment in the ranks of the big bourgeoisie critical of American investment, and indeed, of other features of American domination. We have already made reference to James Coyne, and a few representative quotations from his 1960-61 speeches will bring home the thrust of his concern:

> ***["] No other country in the world with something like our relative state of development has ever had such a degree of foreign domination, or even one half or one quarter the degree of foreign domination. Canada is being pushed down the road that leads to loss of any effective power to be masters in our own household and ultimate absorption in and by another.["][70]***

(The foreshadowing of the Quebec Liberal slogan in the 1962 provincial elections, ***"****Maîtres chez nous*," in this October, 1960 speech of Coyne points to a certain parallel between the concerns of English Canadian and French Canadian nationalism.)

> ***["] Unless the inflow of capital is reduced, all attempts to rectify the deficits in our balance of payments must be self-defeating . . . In the end we can buy Canada back. But first we must stop selling Canada out.["][71]*** *(This doubtful claim to identity between English- and Québécois nationalism by the author seems to evade two points: 1) the lack of economic and political clout of Quebec's bourgeoisies big and small and 2) the significantly higher mobilization of a mass-based 'nationalism' that Québécois indépendantisme expresses -- Web Ed.)*

In a similar vein, Walter Gordon began his crusade for a Canadian capitalism in a Vancouver speech of August 1960, arguing that Canada had been losing a good deal of her political and

economic independence and was in danger of becoming "a more or less helpless satellite of the United States."[72]

In his 1963 budget address, shortly after assuming the Finance portfolio, Gordon attempted to act on his moderately nationalist beliefs. ***While defending the contribution that foreign direct investment had made to Canada, he proposed tax write-offs for firms with at least 25 per cent beneficial Canadian ownership as a means of increasing both Canadian equity and directors in foreign-owned subsidiaries.[73] He also proposed a 30 per cent sales tax on the sale of listed Canadian corporations to non-residents, arguing that such sales "rarely conferred any benefit on the Canadian economy."[74]***

The sequel is well known. Not only did Gordon's budget proposals go up in flames under the attacks of Eric Kierans and others, but within days, officials from the Department of Finance were in Washington pleading for exemption from American tax equalization legislation.[75] A year later, Gordon had another bitter pill to swallow, defending the exemption of *Time* **and** *Reader's Digest* **from increased Canadian taxation on advertising in foreign periodicals as the** *quid pro quo* **for the Canada-United States Autopact.[76]**

Still, in his years as a Liberal Cabinet Minister, Gordon was to champion the Canadian Development Corporation, stringent restrictions on the Mercantile Bank and other foreign incursions into Canadian finance,[77] ***and as his last gesture, back the Report of the Task Force on the Structure of Canadian Industry (the Watkins Report). In the short-term, however, both Gordon's and Coyne's careers were to end in ruin. The hour for bourgeois nationalism was yet to strike, and as Gordon himself noted in*** *A Choice for Canada:*

> ["] During the two-and-one half years I held that office (Minister of Finance), the influence that financial and business interests in the United States had on Canadian policy was continually brought home to me. On occasion, this influence was reinforced by representations from the State Department and the American Administration as a whole. **It was pressed by those who direct American businesses in Canada, by their professional advisers, by Canadian financiers whose interests were identified directly or indirectly with American investment in Canada, by influential members of the Canadian civil service, by some representatives of the university community, and by some sections of the press.["][78]**
>
> There were a few other voices of muffled nationalism in the ranks of the Canadian bourgeoisie in this period. The editorial columns and pages of *The Financial Post* are of particular interest in underlining the schizophrenic quality of whatever bourgeois nationalism did in fact exist.

Its editorials *(Financial Post's –Ed.)* **in the 1955-57 period generally welcomed American capital, providing Canadian interests were met:**

> ***["] The foreign investor must be warned that his success in Canada will depend, in the long run, on his adapting his enterprises to Canadian needs and susceptibilities. He must realize that this country is still fiercely independent, and that our superficial resemblance to the United States conceals a distinctive character which he will have to learn. If our silence leads American investors to suppose that they can treat Canada as a mere annex of the United States, it can only lead to future trouble*** *(as certain pipeline and LNG terminal debates today attest -- Web ed.).*[79]

As though to stress the difference between responsible and extreme nationalism, however, a January 1957 editorial chided Nasser's failure to respect contracts (i.e., the nationalization of the Suez Canal), comparing this negatively with the guarantees Canadian governments had historically offered foreign investors. "What Laurier Had Over Nasser" was the extraordinary title *(demonstrating the effective "extreme" measures Laurier could have used == Ed.)* [80]

In the spring of 1957 the paper was up in arms over the suicide of Canada's Ambassador to Cairo, Herbert Norman, arguing that the honeymoon in Canadian-American relations was over;[81] six months later, it was arguing the irrelevance of sovereignty to Canada's defence needs.[82]

In mid-1958 it criticized Diefenbaker for softness towards the Americans, suggesting his government was lapsing into "the childish habit of pretending all is well" in Canadian-American relations.[83] In late 1958 it strongly praised the proposed National Energy Board, hoping it would result in a good deal more processing being done in Canada.[84] It carried through with an attack on the extra-territoriality of American laws,[85] and by August 1959 was asking "Can We Survive U.S. Investment?"' [86]

In early 1960, the paper *(Toronto's Financial Post)* praised both Walter Gordon and James Coyne for posing the question of Canadian political and economic independence from the United States, and through the fall of 1960 and spring of 1961, it gave much publicity and a fair measure of support to Coyne's position.[87]

The paper welcomed the O'Leary Report with its recommendations for an end to tax privileges for American periodicals.[88] As its regular columnist, James B. McGeachie, argued:

> ***["] Communications of a nation are vital to its life and its defences . . . The right of Canadians to their own media of communication (must be protected.)["][89]***

In the summer of 1962, the paper denounced the takeover of Canadian Oil by Shell, urging Canadian capitalists to step into the breach. When the takeover went through, it lamented:

> ***["] Have we already passed the point of no return? Do we stop trying to be an independent country?["][90]***

By February 1963, in somersault fashion, *The Financial Post* was back to strongly pushing continentalism in the defence field.[91] In the early summer of 1963, it criticized Gordon for not having done his homework in preparing his budget,[92] and went on once again to distinguish between reasonable and extreme forms of nationalism:

> **["] . . . there is no suggestion or possibility that Canada will try Mexico's old remedy. Canada does not drink tequila, stage revolutions or import its economic policies from the Latin republics.["][93]**

Within weeks, the paper was at it again, noting Canada's humiliation in having to beg exemption from the U.S. equalization tax and berating Canada's reliance "for too long on unlimited quantities of U.S. capital to finance Canadian growth."[94]

The Financial Post opposed any large-scale incursion by the First National City Bank into Canada,[95] but supported the Automobile Free Trade Agreement the following year, arguing it made "Continental Common Sense."[96] It also did a complete about-face on its mid-1950s stand on the Columbia River, supporting the export of power to the United States under the revised Treaty.[97]

To complete this survey in schizophrenia, one can point to *The Financial Post's* strong editorial support for Walter Gordon during most of the 1963-64 period when he was Minister of Finance,[98] and to its equally strong opposition to the Canadian Development Corporation, one of Gordon's main proposals for repatriating the economy.[99] In a more nationalist vein, in 1965 the paper strongly seconded General McNaughton's opposition to the proposed North American Water and Power Authority (NAWAPA),[1001] and pointed to the tightening American embrace posed by some $25 billion in long-term investment in Canada.[101] Yet in an astonishing review of George Grant's *Lament for a Nation,* the paper observed:

> **["] If any political party has sold Canada down the river to "continentalism," or is likely to do so, it can't possibly be the party of which Walter Gordon is the designated spokesman on**

economic and financial questions.["][102]
(BUT, ... – Ed.) **Within days, Gordon had resigned from the government.**

If we have dwelt at some length on the editorial policies of *The Financial Post* over this decade, it is because its contradictions reflect those of the Canadian bourgeoisie as a whole. There is an element of nationalism in the discussion of foreign investment, but it is tempered by remarkable concessions to continentalism in the economic field (the Autopact, the Columbia River Treaty), and by wholesale continentalism in the defence field. T***here is a fear of vigorous government intervention to check American investment, coupled with Oblomov-like longing for an independent Canadian capitalism never-to-be. Day dreams and reality, nationalism and continentalism, seem hopelessly intertwined.***

What these contradictions reflect is the impossibility of a thorough-going bourgeois nationalism. As Chart 1 and Table 2.8 in Chapter Two, and other studies, show,[103] a majority of Canadian manufacturing, mining and petroleum was controlled from abroad, principally from the United States, from the 1950s and on. As the Parks showed in their pioneering study of the early 1960s, Canadian banks played a linchpin role in mediating between foreign-controlled and Canadian-controlled capital. [104] There was no way the Canadian-controlled segment of the big bourgeoisie would challenge the very existence of American-controlled capital, no matter how much individual Canadian capitalists might want to see the Canadian-owned share of primary or secondary industry increase.[105]

Far more typical were the views of "some leading Toronto industrialists," cited in a London *Times* article of early 1960:

"Their general answer was that complete economic integration with the United States was inevitable and that Canadians were not prepared to give up their standards of living just to stop this insidious process..."[106]

. . . Or the views of Graham Towers, former Governor of the Bank [1] of Canada and now President of the Canada Life Assurance Company, suggesting Canada's managerial and financial resources were not unlimited.[107] Or those of Canadian Manufacturers Association Presidents defending the noteworthy contribution Canadian-based subsidiaries were making in various fields.[108]

Equally interesting were the views of Roy A. Matthews of the Private Planning Association of Canada who in a 1965 article let the cat out of the bag by talking about "Canada, 'The International Nation'." ***In the name of reducing Canadian dependence on the United States he talked of internationalizing capital flows into the country and of adopting free trade. [109] Canada's mission lay in some kind of virtuous internationalism, a view echoed by the practitioners of Canadian foreign, no less than economic, policy.***

The one area of strong Canadian nationalism on the part of the English Canadian big bourgeoisie lay in its reaction to the aspirations of Quebec and its more nationalist petty bourgeoisie. As the so-called Quiet Revolution unfolded and Quebec began to challenge Ottawa's jurisdiction in the social security, taxation and other fields, the Canadian bourgeoisie began to feel "its" nation under attack, in a way that American domination had seldom alarmed it. Initial sympathy for the Lesage government gave way to scepticism, as separatism made its appearance, and bilingualism and biculturalism no longer seemed to suffice. **By the middle and late 1960s, the Canadian bourgeoisie had begun to tighten the screws on new investment in the province, and through the Canada Committee[110] and other such groups made clear its opposition to any form of separatism.**

An editorial in *The Financial Post* as early as July 1961 dismissed the nascent separatist movement with a few paragraphs. Separatist movements, it argued, were neither new nor deeply disturbing. How did the separatists propose to get Quebec out of a federal union without the consent of the other provinces? And what would be the life expectancy of "Laurentia" on its own?[111]

Over the next few years, *The Financial Post* welcomed many of the concrete reforms of the Lesage government, convincing itself of its long-term contribution to Canadian unity.[112]

The 1962 President of the CMA chimed in with his own optimistic interpretation, stating that he supported French Canadian influence in national affairs, the preserve and develop the "Canadian identity."[113]

Yet there was opposition to such concrete moves as Quebec's adoption of French as the official language of government communications[114] (a foreshadowing of the later Bill 22), to Daniel Johnson's proposals for a constituent assembly to rewrite the BNA Act,[115] to any suggestion of turning Canada into two "associate states."[116] Bilingualism and biculturalism marked the limits acceptable to the Canadian bourgeoisie, no less than to the Canadian state.[117]

To be sure, most French Canadian capitalists were no less committed to the cause of a united Canada than their English Canadian counterparts, underlining "the inevitable economic losses that a separation would bring about."[118] But there was a more menacing quality to the speeches of English Canadian capitalists, particularly as the 1960s wore on:

> ["] All who would hold this country together have a right to expect that the manufacturing industry will throw its full weight into the scales on the side of Canada. (...) More than any other it has made Canada one of the great and rising nations of the world . . . more than any other it has most to lose from any tearing asunder of the hundred-year old fabric of Confederation. (...) We must spare no effort then to hurl back the challenge of the would-be splitters and range ourselves, our companies, our Association and our industry by word and deed four-square with those who are determined that Canada should not break up.[119]
>
> (...)

Another potential target was the organized trade union movement. An interesting company ad appeared in *The Financial Post* in 1957, during the famous strike by the Steelworkers against Gaspe Copper Mines (controlled by Noranda Mines) at Murdochville, Quebec:

> *["] The Truth about Murdochville*
>
> The strike was part of the strategy of the Union leaders and their Pittsburgh, USA headquarters to obtain a stranglehold on the Canadian mining industry. The hardships and misery which accompany a strike mean nothing to them. They are not concerned with the effects on employees and their families. These are the same Union Leaders who followed instructions from the United States to amalgamate the Congress of Canadian Labour with the Trades and Labour Congress into one labour congress which would force its will upon all of Canada. The situation at Murdochville is an example of this policy and its attempted enforcement by violence and lawlessness.[120]

The least one can say is that it was not patriotism that motivated Noranda Mines' opposition to the Steelworkers, but anti-unionism pure and simple. *Y*et nationalism was a convenient weapon in its hands (and in that of Negro King regimes *('roi nègre' regimes meaning 'colonial rogue black king' regimes --Ed.)* such as Duplessis') in their struggle against workers. The socialist suspicion of bourgeois forms of nationalism is not without foundation.

Turning to the smaller bourgeoisie and traditional petty bourgeoisie in the period 1955-65, one finds a certain diversity in the views of nationalism held by small businessmen, farmers and self-employed professionals. While there was no organization grouping small businessmen in the way the Canadian Manufacturers Association grouped the largest Canadian-controlled and American-controlled firms, there are occasional indications of small business sentiment.

Thus a Vancouver exporter, William Comer, is quoted as being "damned aggravated" by the refusal of Alcan and other producers to sell $1 million of aluminum to China in 1959.[121]

The General Manager of the Graphics Arts Industries Association, David McLellan, in reacting to the O'Leary Commission of 1961, argued the case for original Canadian writing and thinking:

> ["] Let us have more and better Canadian publications. Let us also buy them, subscribe to them, and advertise in them . . . We cannot merely allow ourselves to be brainwashed by the outpourings of other people.["][122]

(...)

Farmers were a declining but still important force in the Canada of the late 1950s and early 1960s (cf. Table 2.11). Indeed, they provided a good deal of support for Diefenbaker and the Conservatives in their victories of 1957 and 1958. It is therefore interesting to observe a strain of nationalism in some of the farm journals, coupled with inconsistencies which recall the contradictions of *The Financial Post.*

During the Pipeline Debate, for example, *The Farmer's Advocate* **strongly supported the proposition that any gas pipeline linking Alberta with the east be Canadian-controlled, whether privately or publicly owned:** ***["] Canadians would feel much happier about the transcontinental natural gas pipeline from Alberta to Central Canada if control and operation were retained, like the line itself, wholly within this country. There is growing realization that the United States investments, while needed and welcome for development purposes, are nevertheless depriving Canadians of the jurisdiction they should exercise over the affairs of this nation.[129]"***

Yet a year later, in rebutting the proposals for nationalization of the CPR that had been passed by the Inter-Provincial Farm Union Council, *The Farmer's Advocate* took a diametrically different position on the question of foreign ownership: ["] Any policy or programme that can be interpreted as a challenge to free enterprise will seriously block the flow of investment capital into the development of the nation's resources and do Canada irreparable harm.["][130]

In 1960, however, as Coyne began his speeches on the theme of Canadian self-sufficiency, he found a ready echo in the pages of *The Farmer's Advocate:*

> ["] Farm folk have always been thrifty and independent. They owe it to the nation to add their voice to the protest against overexpansion and overdependence on foreign capital.["](131)
>
> (...)
>
> And a different type of traditional petty bourgeois professional, the clerical, seemed little addicted to nationalism, if an editorial in the *United Church Observer* in early 1963, deriding anti-American policies as made in Moscow, can be taken as representative: ["] The United States is a good friend with whom we must share the common defence of North America.[136]
>
> (...)
>
> **To be fair, one might point to John Diefenbaker or Howard Green, both lawyers, and suggest that their policy on** *(opposing – Ed.)* **nuclear weapons in the 1962-63 period reflected a traditional petty bourgeois nationalism.[137] To the extent that this may be true, theirs was however a minority class position. Moreover, Diefenbaker's visceral anti-communism substantially limited his ability to pursue independent policies vis-a-vis the United States, especially in the defence and foreign policy fields.[138]**

The class we referred to in Chapter Two as the new petty bourgeoisie, i.e., salaried professionals such as civil servants, academics, scientists, journalists, and many of the managers, was by and large opposed to nationalism in the 1955-65 period, with some notable exceptions. The take-off of employment in education and the public sector in this decade (cf. Tables 2.13-2.19) seems to have had no immediate effect on attitudes towards nationalism. It would take the serious weakening of the American empire, as the Vietnam war unraveled, to make this new petty bourgeoisie (at least in the state sector) a greater force for nationalism in the late 1960s and early 1970s.

(...)

The two DBS statisticians responsible for analyzing investment flows into Canada pinpointed the scale of American investment in a paper in 1956. This was no mere throw-back to an earlier era of Canadian growth, Blyth and Carty suggest, but rather represented a potentially permanent equity stake in the growth sectors of the Canadian economy.[139] Moreover U.S. investment was concentrated in larger firms which were more productive and capital intensive than Canadian firms in the same sectors.[140] Without disputing the benefits to Canada's industrial development derived from U.S. investment, the two statisticians concluded:

> ***"The fact that over one-half of the corporate income of the larger companies in Canadian industry is already under non-resident control gives us a rough gauge of the possible strength of the factors which are likely to be at work in maintaining and perpetuating the non-resident ownership and control of Canadian industry . . . We leave it to an articulate audience like this to estimate the cost in economic, social, and political terms."***[141]

The veteran Montreal journalist, G.V. Ferguson, spoke to the Canadian Political Science Association in 1956:

> ***["] For the first time in Canada's history, we are faced with the full, naked force of American influence without the modifying influence of any counter-pressure.["]***[142]

He pointed to the pressures for a continental energy policy emanating from the prairie oil lobby and from the supporters of the Columbia treaty, side by side with various aspects of joint defence, as an indication of the real decline of Canadian sovereignty.[143] And he went on to predict that "Canadian national sentiment and commonly held nationalist ambitions" were at odds with inexorably growing continental pressures. The stage was set for a first class domestic political conflict, "for Canadian nationalism, in its more extreme forms, will not go down without fighting."[144] This prophecy was to begin to be fulfilled—a decade and a half later.

Another journalist of nationalist persuasion was Michael Barkway, long-time Ottawa correspondent for *The Financial Post* and later publisher of *The Financial Times*. A 1960 piece epitomizes his criticisms:

> ***"It was no accident that the most rapid and widespread growth of American control over the Canadian economy, which took place during the 1950s, coincided with a period of boastful and arrogant self-assertiveness which was fundamentally alien to the Canadian character. In our illusions of grandeur we imagined ourselves marching down the path of history in American footsteps. . . . The Canadian problem is not to find ways of asserting independence: it is to find the will.***[145]

In 1960, the CBC's Washington correspondent, James M. Minifie, entered the lists with his book *Peacemaker or Powder-Monkey*, arguing the case for Canadian neutralism in the Cold War.[146] The book got a friendly reception from James B. McGeachy,[147] whose weekly pieces in *The Financial Post* were among the few journalistic criticisms of the prevailing pro-Americanism in Canadian policy. Thus in a 1962 piece, McGeachy strongly attacked John Holmes' criticism of the "Europe Firsters" *(i.e., de Gaulle)* for resenting American leadership, noting that any deviation from a two-power world was regarded as abnormal.[148]

And in October of that year he *(Financial Post* columnist McGeachy) **had only praise for the Vietnam Teach-in held at the University of Toronto which had expressed scepticism of the U.S. role in that country and American claims to be defending the Western world against calamity.[151]**

(...)

The civil service was characterized by at best a very limited nationalism in the early 1960s. The Deputy Minister of Trade and Commerce echoed the two DBS statisticians when he spoke in 1960 of "alarming proportions of our manufacturing and natural resource industries" owned and controlled from

abroad.[155] The federal superintendant of insurance noted matter of factly in 1962: *["] It is doubtful whether there is any major country in the world, other than Canada, where such a large proportion of the fire and casualty business is transacted by companies from alien countries.["]*[156]

As for academics, students and writers, there was relatively little nationalism before 1965. Kenneth McNaught might continue to address the theme of an independent Canadian foreign policy in his contribution to the new manifesto of social democracy, *Social Purpose for Canada,*[157] **but there was as yet little echo in the universities.** Hugh MacLennan could restate his concern for the survival of Canadian culture and media of communications while suggesting "that we accept the fact that the American economic tide is probably here to stay."[158] And George Grant could pen his pessimistic tract of 1965 on Canada's long-term survivability, combining prescient analysis of branch-plant Canadian society with hopeless nostalgia for a conservative past never to be again.[159]

On the left, the first currents of opposition to American imperialism were stirring in the protests of the Voice of Women,[160] in the nascent student movement (the Student Union for Peace Action, the 1965 Toronto Teach-in on Vietnam), or in the pages of a magazine like *Canadian Dimension.* Interestingly, this new left-wing and petty bourgeois English Canadian nationalism could adopt a sympathetic attitude to the nationalist aspirations of the Quebec petty bourgeoisie, which were a mirror image of its own:

> ["] We know that French Canada is a nation, and that English Canada *can* be a nation if it overcomes its own internal regional and ethnic fragmentation. . . . A loosening of the French-English tie may be the prerequisite for a strengthening of the intra-English ties.["][161]

(For a comprehensive record of early 1950s and 1960s anti-bomb, anti-missile and anti-war movements across Canada consult this website for the English and Quebec movements – Web Ed.)

(...)

Turning to the organized working class, we find only limited support for nationalism by the newly-formed Canadian Labour Congress (CLC) after 1956, coupled with a strong affirmation of internationalism, especially international unionism. ***[****As Table 2.24 shows,]* **the overwhelming majority of Congress members were in so-called international unions during the period,** with inevitable consequences for policy. It is also highly significant that key CLC officials like George Burt (UAW), Claude Jodoin (CLC President), Donald Macdonald (CLC Secretary-Treasurer and later President), William Mahoney (Steelworkers) and Joe Morris (IWA and later CLC President) became members of the Canadian-American Committee (cf. Appendix 1), as though to underline their continentalist convictions. ***Still, on certain issues, the Congress did not hesitate to take positions critical of the United States.***

In a joint brief by the old TLC and CCL to the Gordon Commission just prior to their merger into the CLC, "preservation of a free, independent Canadian nation, even at some economic cost" was placed as a high priority, second only to the maintenance of a high standard of living.[188]

> ["] We are not isolationist . . . We are not anti-American, we recognize and accept the uniquely intimate relationship of the Canadian and American economies, and the best proof that we do is that most of our members belong to international unions. But we also believe that within the limits set by the nature of the world we live in, Canada—its Government, its industry and its unions—should control its own destiny . . . . ["] [189]

The two Congresses urged the fullest possible processing of raw materials in Canada, and strongly supported public ownership of the Trans-Canada Pipeline as the only alternative to "a gigantic giveaway of a priceless and irreplaceable natural resource" and to what would otherwise be 'a deadly threat to the future economic development of Canada.'["][190]

They pointed to certain dangers in American control of the economy, including patent restrictions, automation affecting Canadian jobs first, and the absence of financial statements by wholly owned subsidiaries.[191] But they vehemently denied any American control over Canadian unions, arguing:

1) American unions cannot order Canadian workers out on strike to serve American ends.
2) American unions were not pushing members to demand guaranteed annual wages.
3) American unions were not hampering Canadian development by demanding American wages for their members in Canadian plants.
4) American unions were not taking large sums out of the country. Indeed, they were probably making larger payments for strike relief in Canada than what dues flowed to the United States.[192]

In July 1956, an editorial in *Canadian Labour,* the CLC's monthly publication, returned to the subject of U.S. investment in Canada, citing new DBS figures showing significant American stakes in manufacturing and mining. While reiterating the benefits American capital had brought to Canada ("Nobody except the Communists is really opposed to American investment"), the editorial went on to make a number of recommendations to remedy the situation: ***It spoke of pressing American firms to give top managerial jobs to Canadians, of expanding scientific training in Canadian universities, compelling publication of financial records, revising patent laws, and encouraging Canadian investment. And in a more radical vein, not to be repeated:***

["] If necessary, we can nationalize the industries, and operate them in the interests of the people of Canada rather than for the profit of American investors.["][193]

In a September 1956 speech to the AFL-CIO in San Francisco, however, Claude Jodoin revealed the other face of CLC bravado:

["] Co-operation between the AFL-CIO is natural, because both are national, autonomous labour centres and will never be satisfied until free trade unions are established all over the world. Co-operation between the two centres is an example, in my opinion, for all free trade unions in the world, too. The co-operation between our two countries on this North American continent is also an example to the world.["][194]

Figures on CLC finances in this period further underline the contradictions:

TABLE 4.1

Contributions to the Canadian Labour Congress 1957

International unions	$ 673,444
National unions	103,243
Locally chartered unions	334.877
Total	$1,111,564

Source: *Canadian Labour,* May, 1958, Appendices.

It was infinitely easier to attack American capital than American labour domination.
(...)

To be sure, Canadian labour did not simply follow American labour down the line. The CLC showed a greater openness on foreign policy questions such as recognition of China or maintenance of relations with Cuba. Unlike the AFL-CIO, the CLC became involved in direct political action, with the formation of the New Democratic Party in 1961. Unions affiliated to or outside the AFL-CIO in the U.S. were not automatically in the same position *vis-a-vis* the CLC (e.g., the SIU, the UAW).

Yet to speak of a trade union-based nationalism when CLC leaders vigorously defended so-called international unionism would be absurd. *"The outlook of the Canadian labour movement has never been a narrowly nationalistic one.*[198]

"We have taken the position of defending and promoting international unionism because we believe it is a correct position in a continent with the complementary economies and institutions found in North America."[199]

A phoney version of "international unionism" was not the only feature of the CLC leadership's pro-American stance. There was no support for neutralism in Canadian foreign and defence policy: *"The Congress does not believe that Canada can make a contribution by unilateral disarmament or by pursuing a policy of armed or disarmed neutrality."*[200]

"Canada cannot afford the luxury of neutrality or neutralism. Heavy cost (and Canada's) geographical position (rules it out). . . Canada's policy must be advanced in the councils of her friends and allies. Otherwise she would lose the opportunity to pursue a policy of peace and disarmament."[201]

But there was support for Canadian membership in the Organization of American States, with the specious argument that CLC experience with the (CIA-financed)[202] Regional Organization of the Americas of the International Confederation of Free Trade Unions had been positive.[203]

On other issues in the early 1960s, the CLC did take mildly nationalist positions. For example, in its brief to The Royal Commission on Publications (the O'Leary Commission), it called for protection for Canadian periodicals.[204]

It opposed the placing of nuclear weapons on Canadian soil, [205] **and expressed cautious reservations about the Columbia River Treaty and Protocol of 1964:**

"(There is) uncertainty about the outcome of these negotiations. Does Canada retain the right to control, including diversion? No. The United States may have gained immeasurably at Canada's expense, with the potential loss of jobs (to come)."[206]

Finally, while suggesting there were many sensible things in the Merchant-Heeney Report of 1965, the CLC argued: *"To make a vow of public silence on (critical) issues would suggest that Canada was an uncritical satellite of the United States."*[207]

Overall, however, the record of the CLC in this period was scarcely more favourable to nationalism than that of the big or petty bourgeoisie. ***(The NDP, with which the CLC was aligned, did however pass a number of resolutions opposing increased foreign ownership of the Canadian economy and the American role in Vietnam at its 1965 Convention.***[208] ***Potentially, then, nationalism had some appeal to trade union cadres and middle class professionals, the two main groups in the NDP, though an unequal appeal, as subsequent developments were to show.)***

To close this discussion of English Canadian nationalism in the decade 1955-65, let us make reference to global public opinion on two crucial questions.Where Canadian-American relations were concerned, public opinion polls show majority support for U.S. investment in Canada through the decade, though some decline from a highpoint of 68 per cent approval in 1956 to 55 per cent in 1963.[209] On a regional basis, 70 per cent of respondents in the Maritimes favoured U.S. investment in Canada in 1957, 64 per cent in Ontario, 59 per cent on the Prairies and 73 per cent in British Columbia. In 1963, 59 per cent of respondents in Ontario held that U.S.-financial development had been good for Canada, while 54 per cent concurred in the four western provinces.[210]

Paradoxically, that same year a majority of respondents in Ontario and Western Canada held that Canada's dependence on the United States was not a good thing, indicating that a limited form of nationalism *vis-a-vis* the United States did enjoy support in much of English Canada:
(See Tables on page 141, Chapter 4 – Ed.)

To be sure, an even larger 62 per cent opposed political union, and as the survey suggested: ["] The small towns of Ontario whose citizens are of predominantly British stock and have incomes of under nine thousand dollars a year provide the stoutest opposition to American annexation.["][211]

Yet the substance of any Canadian nationalism was open to question.

The same *Maclean's* survey found that only 9 per cent of Canadians believed that Americans had a markedly different way of life, while 53 per cent of Canadians (and a still larger, though unspecified, percentage of English Canadians) supported military arrangements with the United States involving the stationing of American weapons on Canadian soil.[212]

(The other side of the coin, that the very significant 47% OPPOSED the US military and stationing of US weapons within Canada, despite political and media pressure, is arguably more significant – Web Ed.)

No wonder a journalist like James B. McGeachie could lament: ["] *It is distressing to me that some of us think the country's history up to now was all a mistake and are prepared to become Americans from sheer inertia.["]*[213]

The legacy of two decades of Cold War** [1945-1965 --Ed.) **and continental alliance was coming home to roost.

(...)

THEORETICAL CONCLUSIONS

Much as in the 1945-55 period, American imperialism continued to be the dominant influence on the Canadian political economy between 1955-65. Though American hegemony was beginning to be challenged both within the Western alliance and without, all Canadian classes continued to identify with American leadership in the political, economic and cultural fields.

Yet this identification was not total, and there are interesting examples of opposition by members of the big bourgeoisie and other classes to American domination.

Where the big bourgeoisie is concerned, its class interests dictated some measure of autonomy from the American bourgeoisie, *if only to justify its privileged position in the expropriation of surplus value from the wage earners of the country* (italics by the author). **Calls for participation in the equity and ownership of American firms in Canada reflected this concern, coupled with less frequent criticism of the scope and scale of American capital inflow. Nonetheless, the mainstream of the Canadian big bourgeoisie had made its peace with imperialism, provided it retained significant economic and political power alongside American capital in this country.**

(...)

The trade union movement continued to be dominated by international unions, usually based in precisely those sectors of the economy where American capital dominated. There was no more fundamental criticism of American imperialism than there had been a decade earlier, though here and there the policies of the CLC might differ from those of the AFL-CIO. ***What is crucial is that the trade union movement and the working class as a whole still lacked any consciousness of itself as a class-for-itself, as a class holding a socialist counter-vision of both society and the nation. A class conscious working class could not but have challenged the alliance between the Canadian and American bourgeoisies, even while opposing capitalism itself. Or put another way, anti-capitalism in Canada could not be separated from anti-imperialism.*** *In this period one saw precious little of either in the ranks of the working class.*

FOOTNOTES TO CHAPTER FOUR

1. Canada, House of Commons Debates, Session 1956, Volume VI, pp. 5800-5802.
2. Cf. the article by James B. McGeachy, "Nationalism Sparked Tory Win," *The Financial Post,* April 12, 1958 or the address by H.V. Lush, President, to the 87th annual meeting of the Canadian Manufacturing Association: "I think I am safe in saying that there is abroad today in this Canada of ours an innate spirit of independence which is characteristic of but sometimes dormant in Canadians . .," *Canadian Manufacturers Association Meeting,* 1957, p.3 3. Annual Shareholders Meeting of the Bank of Toronto, *The Financial Post,* December 25, 1954, p. 20.

4. Cf. the account in Denis Smith, *Gentle Patriot,* Edmonton, 1973, pp. 31-4, of CD. Howe's absence from the Cabinet meeting that decided to establish the Gordon Commission and of his consistent opposition to it thereafter.
5. The Order in Council, P.C. 1955—909, dated June 17, 1955, in Canada, Royal Commission on Canada's Economic Prospects, *Final Report,* 1957, Appendix A, P. 472.
6. Cited in a *Financial Post* editorial, "Mr. Coyne is a Bold Prophet," May 14, 1955.
7. *The Financial Post,* October 22, 1955, p. 25.
8. On Coyne's pedigree, compare John A. Stevenson, "J.E. Coyne: Bank Governor Stirs a Tempest," *Saturday Night,* March 29, 1958, pp. 14-15, 39. Coyne's grandfather had been a prominent lawyer in St. Thomas, Ontario and his father a Justice of the Manitoba Supreme Court.
9. Cited in *Financial Post* editorial, November 5, 1955.
(...)
34. *The Financial Post,* editorial October 5, 1957, article, p. 3. The British came prepared to discuss free trade between the two countries, but the Canadian Cabinet refused to take a position.
35. Cf. Philip Sykes, *Sellout: The Giveaway of Canada's Energy Resources,* Edmonton, 1973, e.g., p. 92, where Sykes cites NEB "solicitude for consumers in California" as influencing its decisions on gas exports as late as 1970.
36. There were verbal protestations to be sure. Thus Diefenbaker, in reporting to the Commons on his talks with President Eisenhower during the latter's visit to Ottawa in July 1958, stated: "I raised with the President the question that some Canadian subsidiaries of United States companies may have been prevented from accepting orders from communist China, or from people in that country, by the application of United States foreign assets control regulations, even though acceptance of such orders would be permitted by the policy of the Canadian government. The President expressed the view that the United States regulation should not be applied in anyway to the disadvantage of the Canadian economy. If cases arose in the future where the refusal of companies operating in Canada might have any effect on Canadian economic activity, the United States government would consider favourably exempting the parent company in the United States from the application of the foreign assets control regulations with respect to such orders . . . It was made perfectly clear, and I want to underline the fact, that there is no question at any time that, with respect to the operations of United States companies, Canadian law shall govern and Canadian wishes shall be respected." Roger F. Swanson, ed., *Canadian-American Summit Diplomacy 1923-1973***, p. 185. Ten years later, the** *Watkins Report* **would still be placing extra-territoriality high on the list of Canadian grievances against American multi-national corporations.** *Foreign Ownership and the Structure of Canadian Industry***, Ottawa, 1968, pp. 407-410.**
37. Cf. *The Financial Post,* October 18, 1958, p. 25. "How $2 billion of assets have changed ownership since 1945"; November 1, 1958, p. 3, "U.S. Stake Here Grows and Grows as Investment Capital Still Flows In."
38. *External Affairs,* November, 1958.
39. *The Financial Post,* November 22, 1958, p. 3, "No Anti-Americanism Theme of Canadian Talk."
40. Cf. John Alexander Sweetenham, *McNaughton, Vol. 3,* Toronto, 1969, Chap. 6, "The International Joint Commission."
41. Eayrs, *op. cit.,* pp. 153-60; also A.D.P. Heeney, *The Things that are Caesar's: Memoirs of a Canadian public servant,* Toronto, 1972, p. 144: . . . the senators' activities produced a wave of anti-Americanism in Canada which Pearson told me exceeded anything in his experience."
42. Michael Barkway, "The Fifties: An Ottawa Retrospect," *The Waterloo Review,* Issue No. 5, Summer 1960. In this review of James Eayrs' *Canada in World Affairs, 1955-57,* Barkway goes on to disparage Canada's groveling to Washington in all areas, especially in the personal relations between Canadian ministers and their American counterparts.
43. Speech by Walter Gordon in New York, "We Must Work at Being Friends," *The Financial Post,* February 15, 1958, p. 20
44. Canadian Manufacturers Association, 87th Meeting, 1958, Speech by H.V. Lush, President, pp. 3-4.
45. Cf. John W. Warnock, *Partners to Behemoth,* Toronto, 1970, Chaps, 5-8, or the author's "Canadian Defence Policy and the American Empire," in Lumsden, ed., *op. cit.,* pp. 94-115.
46. Cf. Larratt Higgins, "The alienation of Canadian resources: the case of the Columbia River Treaty," in Lumsden, ed., *op. cit.,* pp. 224-40.
47. Cf. Isaiah A. Litvak and Christopher Maule, *Cultural Sovereignty: The Time and Reader's Digest Case in Canada,* New York, 1974, tor an extended discussion of the exemption.
48. Cf. Charles Taylor, *Snow Job: Canada, the United States and Vietnam, 1954 to 1973,* Toronto, 1974; also Claire Culhane, *Why is Canada in Vietnam?,* Toronto, 1972.
49. Lester Pearson, Press Conference, Camp David. Maryland April, 1965, in Swanson, ed., *op. cit.,* p. 256.
50. *The Financial Post,* February 7, 1959.
51. William Hamilton, *Ibid.,* June 11, 1960.
52. *The Canadian Annual Review for 1960,* Toronto, 1961, p. 180.
53. "The Royal Bank, according to its general manager, received $8.8 million for its Cuban assets; the Bank of Nova Scotia did not immediately announce what it had received although its president described the arrangements as 'satisfactory.'" Libbie and Frank Park, *Anatomy of Big Business,* Toronto, 2nd edition, 1973, p. 127.
54. Green's commitment to disarmament, rather than nationalism, seems to have been the determining element

in his opposition to nuclear weapons, though in retrospect, the nationalist element has come to seem more important. Cf. George Grant, *Lament for a Nation,* **Toronto, Carleton Library Edition, 1970, Chap. 3.**
55. The text is in Swanson, ed., *op. cit.,* **pp. 251-4. To be sure, Pearson's speech was larded with numerous references to the honourable character of the American intervention in Vietnam and to the necessity not to "compromise oh points or principle, nor . . . weaken . . . resistance to aggression in South Vietnam." Even his limited suggestion for a bombing halt was too much for Lyndon Johnson, in the prime of his power, who flew off his handle at such insolence from dependent allies,** *Ibid.,* **pp. 220-21.**
56. Canadian Manufacturers Association, 85th Annual Meeting, Toronto, 1956, speech by T.A. Rice, President, p. 9. 57. Cited in *Canadian Chemical Processing,* Toronto, March 1961, Editorial, p. 4.
58. Canadian Manufacturers Association, 86th Annual Meeting, 1957, speech by J.C. Whitelaw, General Manager of the CMA.
59. Address of the President, J.N.T. Bulman, *Ibid.,* p. 9.
60. Minutes of the First Meeting of the Canadian-American Committee, Seigniory Club, Montebello, Quebec, November 15-16, 1957, in the N.A.M. Mackenzie Papers, U.B.C., Special Collections.
61. Interestingly, Walter Gordon's biographer, Denis Smith, breathes not a word about his hero's membership in this committee during its first years. Cf. *Gentle Patriot.*
62. Letter to N.A.M. Mackenzie and other members of the Committee dated March 9, 1961 and signed by Robert M. Fowler and R. Douglas Stuart, Co-chairmen: "On the instructions of the Committee, the Carnegie Foundation, which made the initial grant of $100,000 over a three-year period to start the work of the Committee, has been approached for a further grant. The Carnegie officals seem to be well impressed by our performance to date, and are receptive to a "phasing out" request for foundation assistance—perhaps $40,000 this year, $30,000 next year, and $20,000 the following year." P. 4. *Mackenzie Papers,* **Special Collections.**
63. *Ibid.,* p. 1.
64. See the Statement by the Committee in *The Financial Times* of October 7, 1963 and the strong editorial reply, probably written by Michael Barkway.
65. Cf. "A Model Plan for a Canada-United States Free Trade Area" by Arthur J.R. Smith, Sperry Lea and Theodore Geiger, a Draft Memorandum for the Canadian-American Committee dated September 2, 1963, Mackenzie Papers, U.B.C. See also the study by Ronald and Paul Wonnacott, *U.S. Canada Free Trade: The Potential Impact on the Economy, Ibid.,* sponsored by the Canadian-American Trading Relations Sub-committee of the Canadian-American Committee. See also *The Financial Post,* November 1, 1958, p. 24, indicating the Committee was already discussing the possibility of free trade as early as 1958.
(…)
76. Walter L. Gordon, *A Choice for Canada,* **Toronto, 1966, p. 97: "Many people were unhappy about the exemption for** *Time.* **Its preferred position makes the establishment of new Canadian magazines more difficult. The matter came up at a time when the automobile agreement was under heavy attack in Congress. Approval of the agreement might have been jeopardized if a serious dispute with Washington had arise over** *Time . . ."*
77. Cf. the account by the American business historical John Fayerweather in his *The Mercantile Bank Affair: A Case Study of Canadian Nationalism and the Multi-national Firm,* New York, 1974, especially Chaps. 3 and 4.
78. Gordon, *A Choice for Canada,* p. xix.
(…)
103. Cf. for example Kari Levitt, *Silent Surrender,* Table 6, p. 122, showing 51 per cent foreign control of mining and manufacturing and 69 per cent of petroleum and natural gas, by 1954.
104. Park and Park, *op. cit.,* Chaps. 4 and 5.
105. Maurice Strong, then President of Power Corporation, expressed something of this pro-Canadian ownership sentiment in a 1965 speech to the Canadian Club of Winnipeg: "I would like to see a massive mobilization of our capital for investment in the ownership and control of Canadian corporations. We should use our capital to maintain control of those key companies which are still Canadian owned, to assure substantial Canadian ownership of important new enterprises and to repatriate control of some of our major companies which are now controlled by non-residents." *The Financial Post,* March 27, 1965, p. 6.
106. Cited by Michael Barkway, "How Independent Can We Be?", speech to the Liberal Party's Conference on National Problems, Kingston, Ontario, September 1960, p. 2, kindly made available to the author by Mr. Barkway.
107. 77ie *Financial Post,* February 8, 1964, p. 6.
108. Canadian Manufacturers Association, 93rd Annual Meeting, May 1964, address by H. Roy Crabtree, President, p. 4.
109. Roy A. Matthews, "Canada, 'The International Nation,'" *Queen's Quarterly,* Vol. 72, No. 3, Autumn 1965, pp. 499-523.
110. *The Globe and Mail* **of September 23, 1969 and October 23, 1969 has articles discussing the Canada Committee, whose 500 members included senior executives of Bell Canada, Alcan, Northern Electric, Domtar, the Royal Bank, the Bank of Montreal. Andrew Brichant published a book** *Option Canada* **for this group in reply to Rene Levesque's** *Option Quebec.* **One of his main arguments was that Montreal should secede from Quebec if separatism continued to grow.**
(…)

137. **George Grant does not, to be sure, describe Diefenbaker or Green as traditional petty bourgeoisie, but it is implicit in his description of their nationalism in *Lament for a Nation:* "Diefenbaker was committed to a Canadian populism . . . As a criminal lawyer, he had learnt that the interests of the small need defending against the powerful." (P. 13) "Diefenbaker spoke with telling historical sense when he mentioned the Annexation Manifesto in his last speech to Parliament before the defeat of his government in 1963. He pointed out the similarity between the views of the Montreal merchants in 1849 and the wealthy of Toronto and Montreal in 1963. In neither case did they care about Canada." (P. 69)** On the incompatibility between this nostalgic traditional petty bourgeois nationalism and the new petty bourgeoisie, i.e., the civil service and the intelligentsia, see Grant's Chapter 2.
138. "Canadian Defence Policy and the American Empire" in Lumsden, *op. cit.,* p. 105. Grant places the emphasis on Diefenbaker's free enterprise assumptions in explaining some of his anti-nationalist actions. Grant, *op. cit.,* Chap. 2.
139. CD. Blyth and E.B. Carty, "Non-Resident Ownership of Canadian Industry," *Canadian Journal of Political Science and Economics,* Vol. XXII, November 1956, No. 4, pp. 449-460, pp. 449-451.
140. *Ibid.,* pp. 452-4.
141. *Ibid.,* pp. 458, 460.
(…)
145. Michael Barkway, "How Independent Can We Be?, 1960, *op. cit.,* pp. 4, 11.
146. James M. Minifie, *Peacemaker or Powder-Monkey: Canada's Role in a Revolutionary World,* Toronto, 1960.
(...)
169. "Canada and the North Atlantic Triangle," in Frank H. Underhill, *In Search of Canadian Liberalism,* Toronto, 1960, p. 255. To be fair to Underhill, he does go on to say "that the American people are, as yet, far from being mature enough to provide the wise leadership that is needed." But the thrust of his talk, delivered at Michigan State University in 1957, is pro-American, and disparaging of Canadian eggheads, e.g., the Massey Commission, who see American influences as "alien" (p. 259).
170. Frank H. Underhill, *The Image of Confederation,* CBC Publications, Toronto, 1964, p. 66.
(…)
187.Melville H. Watkins, "Economic Nationalism," a Review Article of Robert Craig Brown's *Canada's National Policy,* in the *Canadian Journal of Political Science and Economics,* Vol. XXXII, No. 3, Aug.1966. pp. 388-92, 391-92.
188. *Canadian Labour,* Vol. 1, No. 1, April 1956, p. 30.
189. *Ibid.*
190. *Ibid.,* p. 35.
191. *Ibid.,* p. 66.
192. *Ibid.,* p. 66.
193. *Canadian Labour,* July 1956, Editorial, pp. 4-5, "United States Investment in Canada."
194. *Ibid.,* October 1956, p. 22.
195. *Ibid.,* February 1959, p. 39.
196. *Ibid.,* April 1960, p. 11.
197. *Ibid.,* April 1961, p. 39.
198. *Ibid.,* January, 1961, Donald Macdonald, "International Unionism in Canada."
199. *Ibid.,* December 1963, Address by Joe Morris to the AFL-CIO Convention in New York, November 1963.
200.*Ibid.,* February 1961, from the Congress brief to the Federal government.
201. *Ibid.,* April 1961, Editorial.
202. **On the channeling of funds from the CIA to the Regional Organization of the Americas and to the International Confederation of Free Trade Unions itself, see Philip Agee, I*nside the Company: CIA Diary,* London, 1975, p. 244. He does, however, indicate that there was a limit as to how much money could be funneled through these groups. See also "AFL-CIA" by Lenny Siegel, reprinted in Steve Weissman et al.,** *The Trojan Horse,* **Ramparts Reader, 1975, pp. 117-136, for a discussion of the CIA-Latin American trade union connection. The author is in no position to state whether the leadership of the CLC, or individual staff members of the organization, had any knowledge of covert CIA activity in ORIT and the ICFTU, or, to go one step further, whether there was any infiltration of the CLC itself. But there is a murky pattern, particularly when one thinks of the visits of American Embassy labour attaches to CLC Headquarters, that needs further exploration and airing.**
203. *Canadian Labour***, June 1961, reporting the decision by the CLC Executive Council to support Canadian membership in the OAS. The same Council meeting coupled an attack on the "dictatorial nature of the Castro regime" with opposition to the Bay of Pigs Invasion. This would suggest that the CLC was not *simply* in the AFL-CIO's, let alone CIA's, backpocket, though hardly a radical critic of American policy in Latin America.**
204. *Ibid.,* January 1961, CLC Submission to the O'Leary Commission.
205. *Ibid.***, February 1961, Submission to the Federal Government; April 1963, article arguing the possibility of a non-nuclear role for Canada within NATO and NORAD.**
206. *Ibid.,* September 1964, pp. 37-8.
207. *Ibid.,* Editorial, September 1965.

208. *Policies of the New Democratic Party 1961 to 1973***, Ottawa, 1974, Resolution on Foreign Ownership, 1965, rejecting a policy of buying back the economy as opposed to using the CDC to direct the course of future investment in Canada and diminish the foreign component, pp. 8-9; Resolution on Vietnam, 1965, calling for an end of the U.S. bombing of North Vietnam, for a resumption of the Geneva negotiations, for eventual reunification of Vietnam through free elections, and for an end to Canadian support of the United States on the International Control Commission. Pp. 81-82.**

209. Cf. Mildred A. Schwartz, *Public Opinion and Canadian Identity,* Table 11, p. 67.
210. *Ibid.,* Table 12, p. 68.
211. *Maclean's,* "The U.S. and US," June 6, 1964, p. 13.
212. *Ibid.*
213. *The Financial Post,* May 30, 1964, p. 7.
214. Royal Commission, *Preliminary Report,* p. 122.
215. An inhabitant of Yarmouth, N.S., cited *Ibid.,* p. 93.
216. An inhabitant of Sudbury, Ontario, cited *Ibid.,* p. 93.
217. A university professor in Kingston, Ontario, cited *Ibid.,* p. 94.

The Land of Cain
Class and Nationalism in English Canada (1977)

by Philip Resnick

Chapter 5

The eruption of nationalism 1965-75
(PART 1 OF 2) THE NEW NATIONALISM; THE BIG BOURGEOISIE

> *(") A minor power militarily, an appendage of the United States economically and of limited interest culturally, [Canada] was one nation that seemed destined to live out its days in boring tranquility.(")* Newsweek Magazine*, re: the October Crisis, cited in* Financial Post*, Nov. 2,m, 1970, p.5)*

The decade 1965-75 was to witness a spectacular take-off of nationalist sentiment in English Canada. This nationalism would embrace economic, political and cultural questions, and would have as its primary objective the loosening of American domination over Canada. Secondarily, it would aim at some type of* modus vivendi *with Quebec, preferably through a refurbished Confederation, though not necessarily nor at any cost.

What is crucial to any understanding of the politics of this decade is the weakening of the American position internationally. 1965 began with the United States escalating its commitment in Vietnam; 1975 heralded the final defeat of American imperialism and its client regimes in Indo-China. In 1965 the American economy still accounted for approximately 50 per cent of all goods and services produced in the non-communist industrialized countries (cf. Table 2.4), while the United States dollar was the reserve currency of the West. A decade later the American position had slipped to 40 per cent or less of the goods and services produced in capitalist countries (cf. Table 2.6), and the U.S. dollar had been devalued and dislodged from its hegemonial position. **In the late 1960s American-based multinational corporations were the new Leviathans threatening to sweep the nation state before them;[2] by the mid-1970s, the energy crisis symbolized a remarkable reversal of relations between resource-exporting countries and industrialized powers and a new nationalism that threatened the very foundations of American economic imperialism.[3]** The shifting political balance was further reflected in the emergence of China into the ranks of the great powers following its twenty-year American imposed isolation, the stand-off between the United States and the Soviet Union in the Cold War evidenced by the policy of detente, and the passing of control of the General Assembly of the United Nations from the western countries led by the United States, to a third world bloc.

Internal politics in the United States were a mirror image of this external decline. The Vietnam War spelled an end to the consensus which underlay American foreign policy in the Cold War years. Massive student opposition at home coupled with military reversals abroad sparked the disillusionment of broad sections of public opinion and of Congress with the war, leading to the forced withdrawal of one President (Johnson) and a severe weakening of the ability of others to conduct foreign policy with impunity.[4] **The 10 per cent surcharge on imports into the United States announced by Nixon in August 1971 coupled with the abandonment of the gold standard marked an attempt by the United States to pass the costs of the war—inflation, balance of payments deficits, declining productivity** *(cf. Tables 2.5-6 and the paragraph following)* — **onto allied states, a complete reversal of policy from the years of the Marshall Plan, i.e., the late 1940s and early 1950s.** Watergate, meanwhile, took on dimensions far beyond a political scandal, pointing to a crisis of legitimacy which decades of imperialism abroad had wrought in the institutions of the republic. The decline and fall of the American empire (accelerated by subsequent revelations about the role of the Central Intelligence Agency) had begun.

THE NEW NATIONALISM

In English Canada, changes in public opinion and governmental policy were slow and gradual, yet unmistakably in a nationalist direction. Where economic nationalism was concerned, the evolution was from the rejection of Walter Gordon's position at the Liberal Policy Convention in the autumn of 1965[s] to the tabling of the *Watkins Report* in early 1968[6]; from government intervention to head off the sale of Denison Mines to foreign interests in 1970[7] to the establishment of the Canadian Development Corporation in 1971.[8] **The following year the** *Report on Foreign Direct Investment (the Gray Report)* **was tabled, while 1973 saw the passage of Bill C-132, the Foreign Investment Review Act, by a parliament in which the Liberals depended on NDP support. Under the terms of this bill, the proposed takeover by or establishment of foreign-controlled businesses in Canada could be refused by a Foreign Investment Review Agency, "if it did not provide significant benefit to Canada."[9]**

The debate on foreign ownership embraced the major political parties in Canada, and had seen the emergence of two nationalist movements, the Waffle within the NDP, and the Committee for an Independent Canada, grouping well-known personalities of diverse political allegiance. As Pierre Elliott Trudeau, no great admirer of nationalism himself, recognized by the end of 1970:

["] I think the times have changed a bit and that in four years Canadians have become a lot more nationalist economically than they were before.["][10]

Public opinion polls reflected this change. In 1967, a clear majority of Canadians, with Ontario in the lead felt that American investment had been beneficial to the country (Table 5.1).

Seven years later, a large majority had come to favour restrictions on foreign investment (Table 5.2).

That same year a cross-Canada sample of 5,000 showed the following breakdown regarding proposed options for Canada in industrial strategy (Table 5.3).

At the provincial level as well, several governments, e.g., Ontario and Prince Edward Island, had taken action to deal with foreign ownership of land, though there was significant resistance to economic nationalism by provincial governments both in the Maritimes and in the West.[11]

The decisive turning point in Canadian-American relations, however, was August 15, 1971, the date Richard Nixon announced a 10 per cent import surcharge as a temporary measure to improve the U.S. balance of payments. True, there had been some cautious moves to greater independence in **Canadian policy, e.g., the White Paper on Defence with its emphasis on protecting Canadian sovereignty,[12] or recognition of the People's Republic of China in early 1971; still, it was American action that signalled the end of a thirty year "special relationship."**

Initial Canadian reaction to the American action had been horror, coupled with pleading for special treatment:

> ***["] I hate to think that the United States is now turning its back on a partnership in the development of North America that has served both our societies well for centuries.["][13]***

It took Nixon, at meetings with Trudeau in December 1971 and again in Ottawa in April 1972 to formalize the American Declaration of Canadian Independence from the Empire:

> ***["] It is time for Canadians and Americans to move beyond the sentimental rhetoric of the past. It is time for us to recognize that we have very separate identies; that we have significant differences, and that nobody's interests are furthered when these realities are obscured.["][14]***

From that point on, one saw some new departures. Mitchell Sharp unveiled his so-called three options

for Canadian foreign policy in the autumn of 1972, making clear his preference for the third: 1) Canada can seek to maintain more or less its present relationship with the United States with a minimum of policy adjustments; 2) Canada can move deliberately toward closer integration with the United States; 3) Canada can pursue a comprehensive long-term strategy to develop and strengthen the Canadian economy and other aspects of its national life and in the process to reduce its present vulnerability.[15]

Suddenly, Canadian policy would be concerned with lessening "the impact of the United States."[16]

In the fields of oil and gas exports, environment, and the law of the sea, Canada would begin to show more "clear-eyed appreciation of the nationalist interest," though continuing to regard the United States as "the first among all our partners."[17] **If there was a new nationalism in official Canadian policy in the early 1970s, it was because in the eyes of the Canadian establishment the United States *itself had become* "a good deal more nationalist in the Nixon era.[18]** *(Emphasis by the Web Ed.)*

Cultural policy also saw greater nationalism, e.g., tougher directives by the Canadian Radio and Television Commission regarding Canadian content in broadcasting, and the ending of tax privileges for *Time* magazine. The Ontario government, for its part, appointed a Royal Commission on Book Publishing in December 1970, following the ruckus over the sale of Ryerson Press to McGraw-Hill,[19] and came to the rescue of McClelland and Stewart with a $1,000,000 interest-free loan.

Finally, where Quebec was concerned, English Canada rallied to Trudeau's conception of national unity in 1968 and again during the October Crisis.[20] If only a small minority held Quebec's separation to be likely,[21] a significant minority in the early 1970s supported Quebec's right to peaceful separation, should its people so decide: *(Table 5.4 on file)*

What this suggests is that English Canadians were not likely to fight a civil war to keep Quebec inside Confederation against her will. Furthermore, it would appear that English Canada's own sense of identity was by the early 1970s less dependent on the French fact or on the maintenance of a united Canada from sea to sea. ***What may have been emerging, ai last, was a specifically English Canadian nationalism, not simply the pan-Canadian nationalism of yore.***

Let us now examine how the different classes in English Canada responded to the decline in American power, to the lure of nationalism, and to the new Quebec.

THE BIG BOURGEOISIE

The big bourgeoisie, overall, was hostile to anything that smacked of nationalism, though for reasons slightly different from those that may have motivated them between 1945-65. The important new feature of Canadian capitalism in the period under consideration was the emergence of a number of Canadian-based multinational corporations and banks, alongside their American, European, and Japanese counterparts, onto the centre stage of the world economy. In Chapter Two, reference was made to Canadian-based corporations figuring in *Fortune* magazine lists of the 300 largest industrial corporations and 50 largest banks outside the United States. Table 5.5 lists these corporations, their relative rank, and presumed ownership and control.

Inevitably, the corporate view of these organizations would be opposed to interference with the free movement of capital into or out of Canada or any other area of investment. "The world is my oyster" view is clearly reflected in the comments of men like Robert Bonner, President of MacMillan-Bloedel in the early 1970s. Attacking "the dilettantes who espouse the narrow nationalisms of the separatists and the neurotic left," he argued that cutting Canada off from the "free flow of capital" would guarantee Canada nothing but high unemployment. Rather Canadian corporations should proceed "to the next logical phase of

their evolution, that is to the multinational stage."[22]

Similarly, the Presidents of the principal Canadian chartered banks addressing a New York investor conference in March 1971 appealed to U.S. financiers to step up investments in Canada. The bankers indicated their opposition to any government restrictions on foreign capital:

> ***["] Profits paid to foreigners are a measure of the service Canadians have received from foreigners. The greater the profits, the greater the services and the Canadian tax revenues.["]***

W. Earle McLaughlin, President of the Royal Bank, went on to oppose the federal legislation limiting foreign participation in Canadian banking to 25 per cent, underlining that Canadian banks operated abroad and preached reciprocity in return. His colleague, G. Arnold Hart, Chairman of the Bank of Montreal, took dead aim at the Canadian Development Corporation for "scaring the daylights out of the business community in Canada," while deploring "the narrow attitude" of those who resented foreign competition.[23]
(Table 5.5 on file)

Successive spokesmen for the Canadian Manufacturers Association, for their part, defended "the help of foreign capital in developing both our resources and our industries";[24] castigated "those who seek to make bad blood or even loosen ties between Canada and the United States in the name of misguided and shortsighted nationalism";[25] while defending the multinational corporation as a phenomenon here to stay, adding:

> ["] It isn't all that important that multinational corporations control large industrial, commercial and financial holdings in Canada. What *is* important is that we constitute in Canada strong industrial formations capable of competing not only in the local market but also in the world market.["][26]

Not surprisingly, then, the Canadian Manufacturers Association and its sister organization, the Canadian Chamber of Commerce, were in the forefront of opposition to federal legislation restricting foreign investment. They argued, for example, that significant detriment rather than significant benefit be the determining factor in blocking any proposed transaction (placing the onus on government, rather than the corporation, to prove its case),[27] and that

> ***["] Foreign ownership policy should not militate against an adequate supply of investment capital to provide continued economic growth and improving standards of living.["][28]***

As the *Gray Report* **had suggested, organizations like the CMA spoke in good part for American capital in Canada, [29] or as this study would argue, for large foreign-controlled and Canadian-controlled corporations, many with multinational aspirations.** The CMA's opposition to economic nationalism was perfectly logical and can be symbolized in a picture which it proudly published in a resume of its 100th annual meeting in 1971. The caption read:

> ["] When the President of the United States, Richard M. Nixon, came to New York City in December 1970 to speak to the National Association of Manufacturers, CMA President A.G.W. Sinclair was seated fifth on the President's right.["] [30]

Such was the place the Canadian big bourgeoisie, indigenous and branch-plant, saw itself occupying in the international capitalist economy.

A minority of large capitalists did, however, support a form of bourgeois nationalism, and a very few even lent their names to the Committee for an Independent Canada when the latter was organized in September 1970. (See Appendix 2 for a list of some of the members of the original steering committee.) **The most prominent, of course, was Walter Gordon, first Honourary Chairman of the CIC, who continued to plead the cause of a Canadian capitalism through the early 1970s**. In a January

1971 speech, for example, he outlined the main planks of the CIC as follows: 1)Policies to increase the proportion of Canadian ownership; 2) A federal agency . . . to supervise the conduct of foreign-controlled operations; 3)Establishment of the CDC; 4) A well thought-out policy *re* energy sources; 5) Greater allocation of resources to less-developed regions; 6) Autonomy for Canadian trade unions; 7) Protection of Canadian jurisdiction in the Arctic; 8)Reasonable Canadian content and number of nationals in universities and colleges; 9)A foreign policy to serve Canadian independence.[31]

Though some of these points, e.g., numbers 8 and 9, reflected the concerns of the new petty bourgeoisie most especially, the first few points spoke directly to a bourgeois, as well as petty bourgeois, nationalism. Gordon stressed his own preference for joint government-private ventures and for a federal review agency, and had he had a comparative perspective, might well have invoked such successful ventures as British Petroleum to buttress his case.

In a 1974 *Financial Post* ***article he reformulated his concern, outlining a nine-year program to buy back, in two stages, foreign-owned firms in the resource sector with assets in excess of $500 million; and a twelve-year program to buy back foreign-owned manufacturing corporations with assets exceeding $250 million.[32] Rejecting "nationalization or any other form of arbitrary expropriation" as "distasteful in principle to many Canadians," Gordon stressed his commitment to market mechanisms and the responsible and practicable character of his proposal***. As a financial journalist, Alexander Ross, had argued in 1970, Gordon was very much the patrician, preaching to the Canadian corporate elite. **Ross lamented: ["] Yet few Canadian businessmen besides him seem to give a damn whether or not Canada survives as an independent nation.["][33]**

One that purported to care was William Turner, President of Power Corporation in the late 1960s. He had little hesitation in wrapping his conglomerate's ambitions inside the Canadian flag:

> ***["] If as a country we do not have more such funds (as Power), it seems to me we are going to continue to lose control of more and more companies . . . If as part of the national strategy they (governments) feel that government-influenced companies like the CDC would fit in, there's a lot of room for them.["][34]***

A corporate president whose nationalism was equally suspect was J.H. Moore of Brascan, whose track record in Brazil was substantially worse than that of most multinationals in Canada.[35] Yet Moore, as a founding member of the CIC, had no hesitation in calling for "clearly defined regulations" dealing with non-resident ownership in Canada, further arguing that "unrestricted internationalism" must not be allowed to override Canada's "national aspirations."[36] He no doubt knew first hand of what he spoke.

Nor was David Kinnear, chairman of the T. Eaton Company, above supporting a *moderate* form of economic nationalism in a 1972 speech, suggesting that reasonable guidelines on foreign ownership were justified and would not impede thoughtful investors. [37]

What the more perceptive Canadian capitalists of the early 1970s could realize, especially after the Nixon economic measures of August 1971, was that a form of Canadian nationalism was here to stay, and that a certain accommodation on their part was in order. Perhaps the best example of this thinking can be found in a 1973 address by Duff Roblin, President of CP Investments and former Conservative Premier of Manitoba:

> *["] I share the strong and rising faith of present day Canadians that their country yet may live and in that life, contribute to mankind. In this faith there should be no wish to cut Canada off from her great American neighbour or from the wide world.["][38]*

Roblin suggested a judicious arrangement of incentives and penalties in setting the terms of

operation for foreign-controlled enterprises, singling out natural resources as an area of high priority for Canadian control, and truncation as the single greatest evil of foreign intervention. In reacting to the Connallys and Kissingers who were now making American policy, there was need for "united single-mindedness" regarding Canadian interests. "

(...)

Overall, however, any bourgeois flirtation with nationalism was kept within very careful limits. The *Financial Post***, whose schizophrenia on the subject was discussed in Chapter Four, continued to equivocate in the late 1960s, increasingly taking an anti-nationalist line. It criticized the** *Watkins Report***, pointing out that "tens of thousands of Canadians, including many of most articulate and best educated," worked for foreign-controlled subsidiaries;[42] in 1970, it attacked the** *Report of the Commons Committee on Foreign Investment (the Wahn Report)* **for being too "toughly nationalistic."[43] It criticized J.J. Greene, Canada's erstwhile Minister of Energy, for "taking pot shots at a deeply troubled ally and friend,"[44] in a speech he had made in Denver, Colorado repudiating a continental energy policy. On balance, it concluded that American investment represented no threat to Canadian sovereignty, true nationhood lying "not in the bank balance" but "in the heart and mind."[45]**

The paper's underlying rationale was that which had led many Canadian capitalists to plump for the multinational corporation— the hope of emulating these themselves.[46] In a decade showing increasing internationalization of capital, the house organ of the Canadian bourgeoisie found a purely home-grown capitalism less and less appealing. To support a strategy of fostering Canadian corporations of world magnitude meant to soft-pedal nationalism.

THE NEW PETTY BOURGEOISIE *(i.e., the Marxist term for the non-working class professional and self-employed labor force -- Web Ed.)*

Turning to the new petty bourgeoisie, we come to the class which played the decisive role *(author's emphasis)* **in the eruption of English Canadian nationalism after 1965.** As we argued in Chapter Two, this class — embracing salaried professionals, many of them working for the state, for universities and schools, in research institutes, as well as the student estate, i.e., those in training for future positions as salaried professions—came into its own with the fantastic take-off of the state sector and of higher education in the 1960s (cf. Tables 2.14-15, 2.19-20). Members of the new petty bourgeoisie dominated two key nationalist organizations that sprang up, the centrist CIC and the left-wing Waffle, while publications by members of this class gave ideological direction and coherence to the nationalist movement.

The growth of nationalism among the new petty bourgeoisie was slow at first, given the strong anti-nationalism in both the academic world and civil service (discussed in the previous chapter). 1966, for example, saw the publication by the University League for Social Reform (a Toronto-based group of academics) of a collection of articles, *Nationalism in Canada.* Liberal anti-nationalism prevailed in a majority of the pieces included:

["] For Canada, unlike the heroic nation-state of old, national survival is not the highest priority of foreign policy . . . There are many things more important to us than resisting our absorption, as a minor but influential entity, into an Atlantic state or even our national extinction through annexation by the United States.["][71]

["] English-speaking Canadian intellectuals, impressed by the progress of the Quiet Revolution's ideological conquest of Quebec, are strongly tempted to reply in kind with counter-ideologies of English-Canadian nationalism . . . This is a dangerous exercise . . . ["] [72]

["] . . . the withdrawal of nationalist sentiment from national politics will facilitate Canada's contribution to the growth of world government, international law and global scientific, technological and economic cooperation . . . To cease loving one's own nation is also to cease hating other nations.["][73]

The odd article, in particular that by Abe Rotstein, did, however, point to the new stirrings:

> ["] Between the views of Harry Johnson, who claims that there is no problem with regard to foreign investment, and the view of George Grant, who claims that it is already too late, there is a viable middle course. . . . The democratic nation increasingly embodies the values and purposes of our society.["][74]

By 1967-68, academics and students were signing petitions, marching and occupying university placement offices in opposition to American policy in Vietnam and to Canadian complicity, e.g., through arms sales. Liberal academics could argue:

> ***["] (Quiet Diplomacy) is no longer suitable for Canadian foreign policy in the late sixties . . . its view of the world is ten years out of date. The alternative . . . is developing an independent foreign policy[."][75]***

Socialist academics could state:

> ***["] We are nationalist because, as socialists, we do not want our country to be utterly absorbed by the citadel of world capitalism.["][76]***

Activists in the student movement were to point their guns against both American imperialism and a branch-plant Canadian capitalism:

> ***["] Canada no longer has an independent economy in any important way. Our economy, especially in the extractive industries, and the highly technologized manufacturing industries is largely owned by foreigners, especially Americans. . . . The Americans refer to this as "interdependence"; perhaps a more accurate, if less polite term, is imperialism.["][77]***
>
> ***["] . . . if the Canadian university is beginning to resemble the United States ones structurally, it is even less distinguishable in educational content. Canadian universities are thus becoming yet another chapter in our emasculation as a nation and servitude to the American empire.["]*** [76] *(all italics by the author)*

A form of anti-imperialism was in the air.

The other crucial factor making for nationalism in the late 1960s was the steady growth of government expenditure (cf. Chart 2.3), for health, education, pension plans and other social services. As Michael Pitfield, now Clerk of the Privy Council, then an official in the Prime Minister's Office, stated it several years ago:

> *["] In terms of the social policy in the sixties, there was in the countries of the world a marked increase in state interventionism. Call it "communism" or "socialism" or just the "welfare state," what it really amounted to is the government were and are doing what people as individuals or in private sector corporations couldn't do . . .["][79]*

Many in the new petty bourgeoisie benefited from these changes, and came to see statism, by which we mean a strong interventionist state, as in their interests. **A strong state was a central theme for nationalists, like Mel Watkins:**

> ***["] The nationalists must see that the only effective alternative to high and rising foreign ownership is the steady expansion of Canadian public ownership. The creation of crown corporations—which governments of the old parties were once prepared to do, albeit in a modest way—is the means by which we can halt and reverse American economic penetration.["][80]***

And it was echoed years later by Robert Page, another academic, and 1974-75 Chairman of the CIC: ["] The public enterprise tradition in Canada differs from the U.S. Due to geography and the power of transnational corporations, Canadians have had to resort to public ownership and will probably do so even more in the future.["][81]

It was perfectly logical then that the two main nationalist movements in English Canada, the Waffle, formed in August 1969, and the Committee for an Independent Canada, formed in September 1970, should both, for all their ideological differences, have been emanations of the class whose interests were directly linked to the existence of a vigorous nationalist state.

Where the Waffle was concerned, fully 21 per cent of its members were students, 8 per cent teachers, 10 per cent professors and 19 per cent professionals, many of these presumably salaried professionals in either the private or public sectors (cf. Appendix 3). Its main leaders — Mel Watkins, James Laxer — were from this same class.

Where the Committee for an Independent Canada was concerned, as one of its co-founders defensively argued:

> ["] This is not the know-nothing reaction of professional malcontents but a sober middle class movement . . .["][82]

Its original steering committee included 32 academics, 10 students, 10 journalists and broadcasters, and 5-6 professional politicians, in itself a near-majority of the 120-member committee (cf. Appendix 2). Two of its three god-fathers, Peter Newman and Abe Rotstein, were from the new petty bourgeoisie, with only Walter Gordon representing the dominant class in Canada.*

*THE intellectual origins of the CIC can be traced back to "An Open Letter to Canadian Nationalists" that appeared in the May-June 1967 issue of *Canadian Dimension* signed by Gad Horowitz, C.W. Gonick and G. David Sheps arguing: "To mobilize the majority nationalist sentiment in Canada, we propose the formation of an alliance for independence. It would be politically non-partisan and would cross racial, regional and class lines to include all Canadians who wish to preserve their country's independence." All three were academics who defined themselves as socialists, and though none actually joined the CIC—Gonick, in fact, was quite active in the Waffle — this letter further underlines a symbiosis between many members of the new petty bourgeoisie and nationalism in the late 1960s that transcended ideological differences.

The emergence of the Waffle and the CIC did not mean that anti-nationalism lacked stalwarts in the ranks of the new petty bourgeoisie in the late 1960s or early 1970s. A Harry Johnson could continue his crusade of an earlier day, deriding "the defense of small national enterprises" against multinational corporations as interfering with "the development of international scale," and seeing the multinational corporation as the harbinger of "a more humane, equitable and non-discriminatory civilization."[83] Salvation lay in a world run by Exxon.

An overwhelming majority of Carleton University faculty could reject the attempt by Robin Mathews and James Steele in late 1968 to get a) a two-third Canadian quota for faculty members of all university departments and b) a policy of only Canadian citizens in all administrative positions from chairman up to chancellor.[84] On the contrary, they urged that "academic competence" rather than citizenship be the sole criterion employed in making academic appointments.[85]

Many academics through the following years denied any validity to the nationalist call. Some denounced "empty gestures of cultural nationalism that try to lead us to cultural separatism";[86] others, the harnessing of history in the service "of what brand of nationalism . . . is currently popular";[87] still others the "cult of the nation" reminiscent of the 1930s, "and no less dangerous."[88]

Yet in a moderate way, nationalism did begin to take hold. Margaret Prang, while denying the validity of Gad Horowitz's left-nationalist arguments, could nonetheless acknowledge "the intensification of nationalism in English Canada" by 1968, as a response to the nationalisms of French Canada and the United States. She suggested, furthermore, that Canada pursue economic and foreign policies that would

reduce Canada's dependence on the United States.[89] Claude Bissell, while fulminating against the student movement threatening the serenity of his Parnassus, or against the Waffle, could in 1971 argue, in convoluted fashion, the case for a defensive Canadian nationalism, "not explosive and aggressive," but looking to a Canada flourishing, side by side with the United States, "in our own sovereign right."[90] **And the quite moderate Canadian Association of University Teachers, under the twin onslaught of nationalist agitation in its ranks [91] and the shrinking job market for Canadian graduate students, could by 1975 adopt a series of guidelines on hiring, suggesting preference for qualified Canadians in academic appointments.[92]**

To give a comprehensive account of the explosion of nationalism among academics, students, journalists, and intellectuals in the period around 1970 could constitute a study in its own right. A number of illustrations representative of the principal orientaions will have to suffice.

Works like *Close the 49th Parallel etc.* or *Silent Surrender,* both published in 1970, spoke for a left nationalism percolating its way through the ranks of the University League for Social Reform, the student movement or the Waffle, and bringing together economists, historians, political scientists and others. **Many of these writers were influenced by "dependency" theory as it had been applied to Latin America by economists such as Andre Gunder Frank, and many on the left sought to make a connection between anti-imperialism and opposition to the Canadian bourgeoisie:**

> ***["] To get a proper perspective of Canada's relationship to the United States, we should bear in mind that capitalism is an international rather than a national system; . . . What distinguishes Canada (and Latin America) within this international system is the extent to which we have become tied to the American metropolis.["][93]***
>
> ***["] Canada's dependency is a function not of geography and technology but of the nature of Canada's capitalist class. . . . The need for Canadian independence to end the exploitation of Canada by the American empire has given birth to new strategies and a new institutional framework for Canadian working class politics.["][94]***

Yet how much of a working class base this left nationalism itself had was highly problematical, as a former member of the Waffle, Cy Gonick, would later acknowledge: [*"] The nationalism of the left, growing out of the deepening consciousness of Canada's subordinate place in the American empire, had little or no class connection. This is one of the reasons why the Waffle, for example, was never able to penetrate the Canadian working class to any extent. And because of its preoccupations with the question of Canadian survival, groups like the Waffle were unable to come to terms with the class basis of the Canadian state.["][95]*

Where the mainstream of the nationalist movement was concerned —liberals, conservatives, right-wing social democrats — ideology was less explicit. Magazines like *Maclean's* could churn out article after article supporting un undifferentiated nationalism: "The Heartening Surge of a New Canadian Nationalism;"[96] "The Canada Firsters March on Ottawa;"[97] "Canada's Independence Inventory: The cupboard is ours, but the stock is fast becoming theirs;"[98] "Growing Up Reluctantly" [99]

The Committee for an Independent Canada, in its publication, *The Independencer,* addressed a whole series of topical concerns: "Canadian Publishing in Crisis;"[100] "End Oil Exports in Three Years;"[101] *"Time*— A privileged Non-Canadian."[102]

Its February-March 1975 issue listed those who had made the CIC's "All Canada Team" for 1974, from Dave Barrett for his realistic resource pricing to Stompin' Tom Connors for his songs and stories about Canada; from Pauline Jewett on her appointment as president at Simon Fraser to Pierre Juneau for his excellent leadership of the Canadian Radio and Television Commission.[103]

This celebration of Canada, which in a number of ways recalled the "celebration of America" which C.

Wright Mills had so sharply criticized in the United States some twenty years before,[104] was not, however, without ideological content. It spoke to a new petty bourgeois concern for economic or resource independence, for science or cultural policy.

It was an Eric Kierans, back at his old perch at McGill, who could accuse the United States of *"folie de grandeur"* and advocate Canada pursuing her own economic and political priorities.[105] A group of academics at Dalhousie opposed the dominant position of foreign energy corporations in the Canadian oil industry and the implications for exploitation of Canada's diminishing reserves.[106] An academic, Vice-President of the Canadian Society for Chemical Engineering, could call for a science policy "worthy of the name," capable of assuring technological innovation, Canada's economic health and perhaps "our continued existence as a nation."[107] Other academics and writers could call for more "Canadian Studies,"[108] and for a communications system worthy of "a mature nation-state."[109]

Though one of the ideologues of the new nationalism could claim that it spoke "for the national interest, for national survival, not for a class interest,"* [110] Marxist analysis would underline the class interests of most of those articulating this so-called classless nationalism. It was the new petty bourgeoisie that stood to be the chief beneficiary of the symbolic investment now called for in "science policy," "cultural policy," "independent foreign policy" and so on. Members of this class would be its interpreters, and in all likelihood, the policy-makers engaged in turning nationalist ideology into state policy. Such a petty bourgeois nationalism need not for a moment challenge the underlying capitalist nature of the Canadian economy—and none of the "moderate" nationalists did. Such were the ideological limits of the "new Canuckism."
*(*Abraham Rotstein, "The Multinational Corporation in the Political Economy..." in H.R. Habro et al.,* Nationalism and the Multinational Enterprise, *p. 191)*

Nationalism was also a growing value in the 1965-75 period for the whole government sector. True, a John Deutsch, speaking for many of the older veterans of the civil service, could still write in 1971: ['] There is no country where the blind forces of nationalism could be more dangerous (than Canada). Nationalism has constructive uses, but mindless exploitation of these passions could destroy our country.["](111)

But the statement quoted above by Michael Pitfield spoke to the new statism prevalent among younger civil servants, which in conjunction with changes in Canadian-American relations, entailed a new nationalism.

Trudeau's chief advisor on foreign policy, Ivan Head, could significantly title a 1972 article in *Foreign Affairs,* "The Foreign Policy of the New Canada," and quote extensively from Trudeau's various statements since coming to office (which Head presumably had helped to draft) speaking to a new nationalism.[112]

The Science Council of Canada published a number of studies by staff researchers calling into question the traditional continentalism of Canadian economic policy and, by extension, the logic of the multi-national corporation:

> ***["] . . . we are the world's largest producer of nickel, but we are net importers of stainless steel and manufactured nickel products, including "cold climate" nickel-cadmium batteries; we are the world's second largest producer of aluminum, but we import it in its more sophisticated forms . . . we are the world's largest exporter of pulp and paper, but we import much of our fine paper . . .[113] . . . in no case did we find a Canadian subsidiary that felt it had the freedom to enter foreign markets at will with a product which it thought could be produced in Canada and competitively exported.["][114]*** *(*emphasis by the author.)

And a whole range of government reports from The Gray Report to others on communications or defence policy reflected the new nationalism that had crept into the civil service in this decade. As was

indicated in Chapter Two (cf. Table 2.18 and the text immediately preceding and following), the state was a soaring area of recruitment for salaried professionals in the new petty bourgeoisie. These clearly stood to benefit from increased state interventionism which nationalism reinforced.

Crown corporations were another incubator of nationalism. For example, in a study on *Theories of Ideology in Advanced Capitalist Society* carried out by Koula Mellos in 1973 (with extensive interviews of a representative cross-section of English-speaking Montrealers from bank vice-presidents to welfare cases), the one strongly nationalist comment registered came from a CBC musician:

> ["] Certain things are best managed by crown corporations, certain things better managed by private individuals . . . but, just keep them Canadian whatever they are. I would say that an American company in Canada is a leech on the body corporate of Canada whereas a Canadian company in Canada is a valid organ of the body corporate.["][115]

To go one step further, there is a recent book by Herschel Hardin, A Nation Unaware, **which elevates the crown corporation tradition into a mythology, arguing that it is the very basis of the Canadian economic culture:**

> ***["] Public enterprise is indigenous to the Canadian demography . . . Canada, in its essentials, is a public enterprise country, always has been, and probably always will be...["] (116)***

Hardin, of course, fails to realize that what he thinks is unique to Canada is in fact characteristic of ALL capitalist societies EXCEPT the United States. *(emphasis by the author).* What is true, however, is that those working for the state, e.g., in crown corporations, will come to identify their interests with the maintenance of a strong state sector and nation state. A certain national pride conies through even such dreary documents as the Annual Reports of Atomic Energy of Canada Ltd.

> ["] Pickering is an important milestone, and to get the nuclear power programme in Canada to this point has taken a good deal of work by many people over a number of years.[117]
> The international interest in CANDU is gratifying and sales opportunities that result in future contracts will be of benefit to the Canadian economy.["][118]

An analogy can be made with the pride which French Canadian managers and technicians, members of what Brazeau called "les nouvelles classes moyennes," experienced at the time of the nationalization and takeover of private electricity companies by Quebec Hydro.[119]

The final component of the new petty bourgeoisie, not yet mentioned—salaried professionals working for private corporations—are less likely candidates for nationalism. Yet here too there is some evidence of the same forces at work as in the universities or state sector.

In December 1971, Peter Desbarats wrote an article in *The Montreal Gazette* entitled "Many managers are nationalist—but very silent":

> *["] In a recent poll of 47 members of the Canadian Institute of Management — more than 60 per cent of CIM's total membership, incidentally, is employed by U.S.-owned companies — half of those polled agreed that "the massive take-over of industry in Canada would not have been possible without the inside help of Canadian managers." . . . 80 per cent "thought that foreign control generally works to Canada's disadvantage" while 75 per cent "were in favour of legislation to curb and control takeovers.["]"* [120]

The article goes on to talk about managers unable to get approval of projects critically needed to keep the Canadian operation going, because people in New York or Pitlsburgh said "no," and about interference with Canadian managers' bargaining with workers as examples of what was turning Canadian managers into economic nationalists.

> *"But he's also forced to temper it. He's not living on a foundation grant. He's got to produce. He's just like any other piece of equipment in that plant. If he gives too much trouble, then he's replaced. If he starts rocking the boat, if he starts stomping around and saying—well, dammit, we're running this show . . .*

then he's in trouble.["]"[121]

It may be dangerous to generalize from just one article, but at a minimum it suggests that nationalism does have some attraction for managers, especially in foreign-owned branch-plants, even though they may have to keep their sentiments under wraps. In a general way they were influenced by the same trends which J. Douglas Gibson, a bank economist whose anti-nationalist sentiments we cited in the previous chapter, analyzed in 1973:

> ***["] Economic nationalism has been growing in Canada. It is partly an anti-American phenomenon . . . partly the result of a developing belief among Canadians that they are too dependent on the United States. . . . The days when Canadians supported and joined with enthusiasm in the policies of General Marshall and President Truman are happily long past.["] (122)***

(END PART 1 OF 2)
Part 2 NEXT: "The working class"

FOOTNOTES TO CHAPTER FIVE (Part 1 of 2)

1. *Newsweek* magazine *re* the October Crisis, cited in *The Financial Post,* November 28, 1970, p. 5.
2. Cf. Harry Magdoff, *The Age of Imperialism,* New York, 1969 or Raymond Vernon
3. Cf. the resolution proposed by the Group of 77 at the United Nation's General Assembly, Sixth Special Session, May 1974, which is reproduced in part in Chapter Six below.
4. Cf. the 1973 War Powers Act, passed over the veto of Richard Nixon, or subsequent Congressional action regarding arms shipments to Turkey, Chile, or anti-Communist forces in Angola.
5. Cf. the account in Peter Newman, *The Distemper of our Times,* Toronto, 1968, p. 415 or John and Graham Fraser, eds., *Blair Frasei Reports,* Toronto, 1969, pp. 83-4.
6. **Canada,** *Report of the Task Force on the Structure of Canadian Industry,* **Ottawa, 1968. Only** *The Toronto Star,* **Feb. 16, 1968, pp. 23-30 and the NDP, e.g.. Max Saltsman, House of Commons, 27th Parliament, 2nd Session, March 6, 1968, p. 7342, strongly supported the various recommendations of the** *Watkins Report* **for a special agency to coordinate policies with respect to multinationals, a government export trade agency to deal with extra-territorial impingements on American-owned subsidiaries, or establishment of the Canadian Development Corporation.**
7. For the government rationale *re* Denison Mines, see statements by P.E. Trudeau, 28th Parliament, 2nd Session, March 2, 1970, p. 4255 and J.J. Greene, *Ibid.,* March 19, 1970, p. 5250.
8. *Canadian Annual Review for 1971,* **Toronto, 1972, pp. 7-9. Interestingly, in early 1970 Trudeau had told a student audience that the CDC was 74th on a list of 74 government bills in terms of priority.** *The Financial Post,* **editorial, April 11, 1970.**
9. From the text of Bill C-132, cited in Maureen Boyd, *The Making of the Foreign Investment Review Act: Sources of Influence on Bill C-132.* Honours Essay, U.B.C., Department of Political Science, 1975, pp. 3-4.
10. Transcript of Questions and Answers at the Prime Minister's Accountability Session, Liberal Party Convention, Ottawa, November 20, 1970, p. 11. Our translation.
11. *Canadian Annual Review for 1970,* Toronto, 1971, p. 347. W.A.C. Bennett, Premier of B.C., was calling for free trade with the United States in 1971, *Canadian Annual Review for 1971,* p. 180; Premier Hatfield of New Brunswick, future champion of the Bricklin car, opposed the Foreign Investment Review Act in 1973, *Canadian Annual Review for 1973,* pp. 336-7.
12. **Canada,** *White Paper on Defence, Defence in the 70s,* **Ottawa, 1971, p. 16. To be sure, "the defence of North America in cooperation with U.S. forces" remained a major priority, immediately after the "surveillance of our own territory and coast-lines."**
13. Department of External Affairs, Ottawa, Statements and Speeches 71/73, Mitchell Sharp, *Implications for Canada of the "Nixon Doctrine, "* Address to the Centre for Inter-American Relations, New York, September 21, 1971.
14. **Cf. the press conference of Prime Minister Trudeau, Washington, D.C., December 7, 1971, Swanson, ed.,** ***op. cit.,*** **p. 287, reporting Nixon's sympathy for Canada not wanting to be a colony of**

the United States; address by Richard M. Nixon to both Houses of Parliament, April 14, 1972, Swanson, ed., *op. cit.*, pp. 298-9.

15. Mitchell Sharp, "Canada-United States Relations: Options for the Future," *International Perspectives,* Department of External Affairs, Ottawa, Autumn 1971, p. 1.
16. *Ibid.,* p. 17.
17. Notes for a Speech by the Secretary of State for External Affairs, Allan J. McEachen, to the Winnipeg branch of the Canadian Institute of International Affairs, January 23, 1975.
18. Robert M. Reford, "Canadian Nationalism—Does it make the border more visible?", an Address to the Chicago Council on Foreign Relations, April 18-19, 1975, p. 6.
19. *Canadian Annual Review,* 1970, pp. 219, 348.
20. A Gallup poll in late 1970 showed 89 per cent of English-speaking Canadians (and 86 per cent of French-speaking) approving the bringing in of the War Measures Act. Canadian Institute of Public Opinion, December 12, 1970.
21. A 1973 poll showed 17 per cent of respondents in the Maritimes, 25 per cent in Quebec, 8 per cent in Ontario and 15 per cent of the West holding Quebec's separation from Canada to be likely "in about five years." 68 per cent of respondents in the Maritimes, 63 per cent in Quebec, 77 per cent in Ontario and 72 per cent in the West thought separation unlikely. Canadian Institute of Public Opinion, June 16, 1973.
22. Robert W. Bonner, Vice-Chairman, MacMillan-Bloedel, "The Future Role of Canadian Companies in International Trade," Address to the University of Western Ontario 15th Annual Business Conference, London, June 4, 1971, pp. 9-10. Cf. also *The Financial Post,* Second Section, October 2, 1971, "B.C.'s multinational giant moves in new directions," discussing MacMillan-Bloedel's activities in Britain, Belgium, Holland, Spain, Indonesia, Malaysia, Australia, and the United States.
23. *The Toronto Star,* **March 19, 1971, "Canadian Bankers urge Americans to step up investment in Canada," pp. 1, 8.**
24. Canadian Manufacturers Association, 96th Annual Meeting, 1967, Address by H.W. Joly, resident, p. 4.
25. *The Financial Post,* September 12, 1970, Address by A.G.W. Sinclair, President, Canadian Manufacturers Association, p. 6.
26. Interview with Gerard Filion, new CMA President, *Industrial Canada,* CMA monthly publication, June 1971, p. 113.
27. Boyd, *op. cit.,* p. 19, citing the briefs of the Canadian Chamber of Commerce and the Canadian Manufacturers Association to the Standing Committee considering Bill C-132.
28. Canadian Manufacturers Association, 100th Annual Meeting, Toronto, 1971, Report by J.C. Whitelaw, Vice-President and General Manager, p. 19. Whitelaw is quoting from a submission by the CMA to the Prime Minister in April, 1971.
29. Canada, *Foreign Direct Investment in Canada,* Ottawa, 1972, p. 302.
30. CMA, 100th Annual Meeting, p. 27.
31. *The Financial Post,* January 30, 1971, p. 6.
32. *Ibid.,* October 5, 1974, p. 7.
33. *Ibid.,* Alexander Ross, "Prophet becoming honored ai last," March 21, 1970, p. 7.
34. *Ibid.,* December 10, 1966, p. 6.
35. Cf. Tim Draimin and Jamie Swift "What's Canada Doing in Brazil?" *This Magazine,* Vol. 8, No. 5-6, Jan.-Feb., 1975, pp.3-8; "The Brascan File," *The Last Post,* March 1973, p. 28.
36. *The Globe and Mail,* Report on Business, May 29, 19T0, "Brascan president urges Ottawa to spell out controls."
37. Speech by David Kinnear to the 79th meeting of the Canada-U.S. Committee of the Canada and United States Chamber of Commerce, Florida, News release by the Canadian Chamber of Commerce, Montreal, daied March 24, 1972.
38. Duff Roblin, "A new national policy and Canadian nationalism," The W. Clifford Clark Memorial Lecture, *Canadian Journal of Public Administration,* 1973, pp. 542-56, p. 542.
39. *Ibid.,* p. 556.
40. *Industrial Canada,* July 1971, p. 49.
41. Thus Carl A. Pollock, President of Electrohome, Kitchener, Ontario, and a former President of the CMA, could declare in a November 18th, 1971 speech to the Canadian Institutional Investor Conference, Montreal, that there had been too much Canadian dependence on the United States in the post-war years and that one must seek to sell Canada to Canadians. "Economic nationalism becomes an enlightened policy because it is enlightened private enterprise." V.O. Marquez, Chairman of Northern Electric, could tell a 1972 panel of maufacturers that multinational corporations mean that most entrepreneurial decisions are made elsewhere. The main thrust of his argument, however, was the need for Canadian industry to acquire an international marketing outlook. *Industrial Canada,* April,'72, p. 38.
42. *The Financial Post,* February 24, 1968, Editorial, p. I, "We must stay friends."
43. *Ibid.,* editorial, p. 6, "Tensions are mounting." 44. *Ibid.,* editorial, p. 1, July 11, 1970.
45. *Ibid.,* July 11, 1970, p. 29. Floyd S. Chalmers, former Chairman and President of Maclean-Hunter Ltd. 46. *Ibid.,* August 13, 1966, editorial, p. 1, "Midget can't cope now." *Ibid.,* p. 1, March 15, 1969.
47. Paul Audley, Executive Director of the Independent Publishers Association, "Book Publishing in Canada" in A. Rotstein and G. Lax, editors. *Getting It Back,* Toronto, 1974, pp. 201-21, p. 215.
48. The Canadian Federation of Independent Business, *The Programmes and Objectives.*
49. Letter from James R. Conrad, Director, Policy and Research, The Canadian Federation of

Independent Business, to the author, dated May 20, 1975.
50. Brief by the Canadian Federation of Independent Business to Commons Committee considering Bill C-2, an act to amend the Combines Investigation Act, pp. 9-10.
51. John F. Bullock, President, Canadian Federation of Independent Business, "Incentives for what?," speech to National Conference on Incentives, Halifax, May 28, 1975, p. 2. For the Waffle de-industrialization thesis, see Jim Laxer, "Canadian Manufacturing and U.S. Trade Policy" in Robert M. Laxer, editor, *Canada (Ltd.),* **pp. 127-52. For a critique of this thesis based on careful empirical investigation see Fred Caloren, "Layoffs, Shutdowns, and Plant Closures in Ontario: The Economics of Misery,"** *Our Generation,* **Vol. 10, No. 4, pp. 61-75. It is interesting to note that similar arguments about de-industrialization are being made in the United States. Cf. Richard J. Barnet and Ronald E. Muller,** *Global Reach,* **New York, 1974, Chapter 9, "The Latin Americanization of the United States."**
52. Bulloch, "Incentives for What?" pp. 2, 4. 53. *Ibid.,* p. 3. 54. *Ibid.,* p. 7.
55. Letter from James R. Conrad, dated May 20, 1975.
56. Alexander Ross, "Who's for nationalism? Well, almost everybody." *The Financial Post,* April 24, 1971, p. 7.
57. Don Mitchell, *The Politics of Food,* Toronto, 1975, Chapter 2, "Farmers: A Class Divided," especially pp. 25-30. 58. Mitchell, *op. cit.,* p. 34.
59. Marc Zwelling, "The Kraft Boycott," *Canadian Dimension,* Vol. 8, No. 4-5, Jan.1972, p8-9, 64.
60. Brian Stock, "A culture in search of an economy," *Times Literary Supplement,* "Canadian Writing Today," October 26, 1973, pp. 1311-13.
61. Barry Lord, " 'Americans" in Al Purdy, editor, *The New Romans***, Edmonton, 1968. "Let us answer Quebec by developing an equally strong struggle aimed at freeing Canada from US domination," p.150** 110. (See above)
(…)
115. Stephen, a 35 year old musician and program producer for the CBC, cited in Koula Mellos, *Critical and Empirical Perspectives on Theories of ideology in Advanced Capitalist Society,* Ph.D. thesis, Queen's University, 1974, pp. 98-9.
116. Herschel Hardin, *A Nation Unaware,* Vancouver, 1974, Jacket Cover.
117. Atomic Energy of Canada Ltd., *Annual Report 1971-72,* Covering Letter from J.L. Gray, President, to Donald S. Macdonald, Min. of Energy, Mines and Natural Resources dated 6/2, 1972.
118. Atomic Energy of Canada Ltd., *Annual Report 1973-74,* Covering Letter from J.L. Gray to Donald Macdonald dated May 17, 1974.
119. Jacques Brazeau, "Les nouvelles classes moyennes," in Dumont and Montminy, editors, *Le Pouvoir dans la société canadienne-française,* pp. 151-63, p. 157.
120. *The Montreal Gazette,* December 21, 1971, p. 25.
121. Ken Whittington, national publicity director of the Canadian Institute of Management, cited *Ibid.*
122. J. Douglas Gibson, "Canada's declaration of less dependence," *Harvard Business Review,* September-October, 1973, pp. 69-79.

The Land of Cain
Class and Nationalism in English Canada (1977)

by Philip Resnick

Chapter 5
The eruption of nationalism 1965-75

(PART 2 OF 2) THE WORKING CLASS

(All emphasis by the Web Ed.)

The organized trade union movement, for its part, experienced winds of change as intense as those which embraced the new petty bourgeoisie. At the end of Chapter Four we left the Canadian Labour Congress immured in its defence of "international" unionism. **Over the next decade, the changing composition of the membership of the Congress coupled with external phenomena such as the decline in American power and the rise of American protectionism were to weaken the hold of American-based unions, leading to subtle changes in both policy and leadership of the Canadian trade union movement.**

The bold secular trends were sketched in, Tables 2.24-26 *(on file –Web Ed.).* Of particular importance where power relations within the CLC were concerned was the displacement by the Canadian Union of Public Employees (CUPE) of the International Steelworkers as the largest union in Canada in 1974, and the emergence of the Public Service Alliance of Canada and various provincial civil service unions alongside CUPE as new power brokers. **Inevitably these Canadian-based unions were more supportive of nationalism than their international counterparts, all the more since their members worked in the state sector and, much like their counterparts in the new petite- bourgeoisie, saw a strong nation state as in their class interest.**

Yet the nature of the CLC was such that international unions still accounted for some two-thirds of total membership in 1974(123) — a fact which served to dampen a too strident nationalism on the part of the Canadian-based public sector unions. **On the other hand, the trend from the late 1960s on was toward greater nationalism on the part of the Canadian membership of the international unions themselves. One expression of this was the guidelines on autonomy which the CLC adopted in 1970 and reaffirmed at its 1974 convention. Another was the breakaway movement, symbolized by the Council of Canadian Unions formed in 1969, which though small in numbers (some 20,000 members in 1974), served as a goad to the international unions to clean up their act or face the consequences.** In British Columbia, in particular, with the highest rate of union organization in Canada, international unions such as Steel were to lose several thousand workers to breakaway unions. A third example of the diminishing appeal of international unions was the 1974 decision by the 55,000 member strong Canadian Pulpworkers to sever their ties with the international union to which they had been affiliated, setting up separate shop as the Canadian Paperworkers Union.[124]

Let us first examine the overall change in CLC policy during this decade, then turn to a more careful analysis of the politics of a union such as CUPE, and finally, to examples of working-class based nationalism outside the mainstream of the CLC.

In the later 1960s, the CLC leadership toughened its attitude on foreign investment and multinational corporations, and somewhat in advance of official Canadian foreign policy (paralleling in this the NDP), became a good deal more critical of the United States. ***In July 1966, for example, the Executive Council of the CLC called for a royal commission to investigate among other things the nature of capital flows between the U.S. and Canada; the extent of U.S. ownership and control of Canadian industries; the policy relationships between parent companies and subsidiaries.[125] The same Council meeting also decried the Winters guidelines on good corporate behavior of March 1966[126] as "belated and***

inadequate." The public was in need of complete information, not least on the effects American guidelines on investment were having on Canada.[127]

In March 1967, in a brief to Cabinet, the CLC argued for a national water policy, opposing any Canadian commitment on water exports until full information on future needs was available.[128]

At its 7th Convention in 1968, the CLC formally endorsed the Watkins Report, ***arguing that its proposals "would do much to increase Canada's control over the Canadian economy."***[129] An issue of *Canadian Labour* that November contained a two page summary by Mel Watkins of the main points in his *Report,* [130] while the official CLC publication once again called for its implementation. **1968 also saw rising opposition to Canada's continental defence alliance, with the Congress calling for Canadian withdrawal from NORAD and for an end to weapons shipments destined for Vietnam.** Taking the longer view, it stated:

> ***["] The Congress believes that we may be on the threshold of one of the great periodic historical realignments, caused by shifting national and international loyalties . . . It may therefore be incumbent upon us to critically re-examine the whole structure of Canadian foreign policy of the past quarter of a century and labour's attitude toward it.["]***[131]

Where international unions were concerned, however, the official Congress line remained highly favourable. **Relations between the CLC and the AFL-CIO were fraternal, not structural ones, with the CLC's policies "made in Canada by Canadians and for Canadians living in a world dominated by giant corporations."**[132]

Through the early 1970s, in the face of nationalist attacks, e.g., from the CIC or from breakaway movements, the CLC leadership reaffirmed the validity of international unionism, now linking their case to the supposed strength of multinational corporations which only international unions could combat, or otherwise challenging their critics' motives.[133] **(It was never explained, however, why trade unions in the Common Market could cooperate against capital without fusing their memberships into pan-European unions.)**

Nonetheless, the CLC leadership felt obliged to make some gesture in the direction of "national identity" and did so at its 8th Convention in 1970:

["] *Whereas* the international labour unions have contributed to establishment, growth and success of the trade union movement in Canada;

Whereas there is a growing tendency towards a Canadian identity in the social and economic sectors of our society;

Be it resolved ***that the Canadian Labour Congress adopt a firm policy supporting minimum standards of self-government of the Canadian sections of international unions; and***

Be it further resolved ***that these standards include: election of Canadian officers by Canadians; policies to deal with national affairs to be determined by the elected Canadian officers and Canadian members; Canadian elected representatives to have authority to speak for the union in Canada***; and

Be it further resolved ***that the Canadian Labour Congress do all in its power to assist the affiliated unions in the attainment of these objectives.["]***[134]

This was enough to allow David Lewis and other defenders of the "international" unions to express their pleasure at the growing autonomy of international unions as compared to branch-plants in this country.[135] ***But as Ed Finn, Research Director for the Canadian Brotherhood of Railway, Transport and General Workers, had pointed out, the CLC guidelines were a good deal weaker than ones which had been proposed by a group of reform nationalists at the convention. These had called for retaining sufficient dues in Canada to finance distinctively Canadian services, and for the right of Canadian branches to amalgamate, without having to wait for their U.S. parents to do so first. Moreover, the guidelines were voluntary.***[136]

The pressure for greater Canadian union autonomy was to continue over the next years. William Mahoney and Eamon Park of Steel, no doubt feeling the need to curry to nationalist sentiment, lent their names to the CIC Steering Committee in late 1970 along with Ed Finn and Stanley Little of CUPE (cf. Appendix 2). (All but Finn, however, subsequently resigned over the CIC's encouragement of exclusively Canadian unions.)

Some 20 per cent of the Waffle's membership were apparently blue-collar and white-collar workers, though this was not true of Waffle activists (cf. Appendix 3). *(See Appendix 3 below; just what exactly Waffle's proletarian membership status had to do with "international" trade union autonomy is not clear -- Web Ed.)*

The increasingly youthful character of the labour force in the early 1970s (28.9 per cent under 25 in 1971 compared to 21.8 per cent of the labour force in 1961) was a further impetus to nationalism and radicalism:

> ***["] The young show much more concern than their seniors about social issues like pollution, Vietnam, racism and Canadian nationalism. They question all those high and mighty sanctimonious pronouncements on political morality from their elders.["]***[137]

AFL-CIO support for protectionist legislation such as the *(notorious imperialist nation nationalism -- Web Ed.)* **Burke-Hartke Bill was still another factor, though the CLC tried to use its influence with U.S. unionists to lobby for Canadian exemption.**[138]

By 1974, the CLC's tenth convention saw a so-called reform slate, backed by CUPE, the Public Service Alliance of Canada, B.C: Government Employees' Union, Canadian Brotherhood of Railway, Transport and General Workers, Canadian Union of Postal Workers and the Letter Carriers' Union of Canada (all Canadian-based unions), displace much of the CLC old-guard from key executive positions and impose tougher policy against recalcitrant internationals. It had been found that only 43 of 90 international unions affiliated with the Congress were in full compliance with all the guidelines passed in 1970, 28 with some but not all, and six with none. (Information was not available for thirteen internationals.) **Accordingly the CLC, over the vigorous objection of the building trade unions, passed a policy plan giving the Executive Council of the Congress the authority, by a two-thirds vote, to suspend any union not complying with its autonomy guidelines. If the suspension were upheld at a subsequent convention of the CLC, "the Congress should take whatever steps are necessary to maintain the membership of the suspended affiliate in good standing with the Congress."**

As the *Labour Gazette* commented:

> ["] This provision . . . gives the Congress power considerably beyond anything it has previously enjoyed. It amounts, in fact, to a threat that unions failing to comply with the standards will risk losing their membership to another Congress affiliate or to the Congress itself.["][139]

For some months thereafter, the building trades held back payment of their per capita to the Congress, even threatening to secede altogether in protest against this policy. In the end they caved in, in no small part due to rank and file sentiment within their unions in both Ontario and B.C.[140]

A key factor in the growth of nationalist sentiment within the CLC was the increased strength of Canadian-based unions in the public sector, which we have already mentioned. As the public relations director of the Canadian Union of Public Employees, Norman Simon, admits, a good deal of CUPE's appeal in recent years has been a nationalist one, and the union quite consciously pushes its Canadian character.[141] On the other hand, as a loyal member of the CLC, CUPE has been quite careful not to knock the international unions directly, even coming to their defence against those agitating for exclusively Canadian-based unions.

CUPE's Journal over the years shows a fair amount of nationalist content where American economic control is concerned. An article in late 1970 entitled "Nixon Drinks Canada Dry" reprints Mel Watkins' testimony to a U.S. Senate Committee on Multinational Corporations, with his argument:

["] On the northern periphery of the American empire, a rising nationalism has to a degree unprecedented in Canadian history a strong anti-capitalist and socialist component.["][142]

It was an open secret that a number of the staff people in CUPE were quite close to the Waffle.[143]

A mid-1971 article in the CUPE Journal by Rick Deaton, entitled "Canada's Sell Out," pinpoints the key role of retained earnings "in financing American investment in Canada" and argues the need to channel "Canadian investment in such a way as to meet the needs of Canadian workers."[144]

A 1972 article entitled "Stop Selling Out Our Resources" argued the case for conservation of energy resources in particular and the need to harry governments into firmer action.[145]

More interesting, because emanating from the rank and file, were resolutions submitted, and in some cases voted, at CUPE Conventions in 1971 and 1973. For example:

["] Resolution No. 80
Submitted by Local 500, Winnipeg, Man.
WHEREAS ***the major industries of Canada are foreignly owned, and***
WHEREAS t***he wealth of Canada is being lost to foreign countries;***
THEREFORE BE IT RESOLVED t***hat the Canadian Union of Public Employees approach the Federal Government to curtail foreign ownership and investment in Canada in order that Canadian monies may remain in Canada.***[146]

Resolution No. 81
Submitted by Local 998, Winnipeg, Man.
WHEREAS ***overtures have been made by the United States to purchase fresh water from Canada, and***
WHEREAS t***hese purchases are mainly to maintain or increase their standard of living, and***
WHEREAS ***the effects of diversions of our rivers are unknown as far as wild life, ecology, are unknown,*** *(sic)*
BE IT RESOLVED THAT ***the National Office of CUPE make submission to the Canadian Federal Government to retain all the Canadian fresh water for the use of Canadian citizens.***

Resolution No. 86
Submitted by the Alberta Division
WHEREAS o***ur economy is in jeopardy of becoming totally American dominated, and***
WHEREAS t***his contributes heavily to the instability of our economy,***
THEREFORE BE IT RESOLVED ***that this Convention, through the CLC, petition the Federal Government to set up a Crown Corporation to keep the key resources Canadian controlled.***[148]

Resolution No. 43 [International]
Submitted by Local 1004, Vancouver, B.C.
WHEREAS ***the U.S. Atomic Energy Commission seems determined to explode an atomic device on Amchitka Island, regardless of possible catastrophic consequences to Pacific Rim Countries, and***
WHEREAS ***the protest of the government of Canada has made no impression upon the government***

of the United States,
THEREFORE BE IT RESOLVED t***hat this 5th Convention of the Canadian Union of Public Employees send a telegram to Prime Minister Trudeau urgently requesting that he take strong steps to stop the proposed nuclear tests at Amchitka, and***
BE IT FURTHER RESOLVED ***that this convention calls upon the CLC to submit a similar strong request to the Prime Minister.***[149]

Equally interesting were occasional comments from the floor at CUPE conventions, venting discontent with international domination of the CLC:

["] In my opinion the CLC representatives that sit there are largely made up of representatives from locals which are affiliated to U.S. parent unions. And you and I know that the policies of these unions are dictated straight from the United States of America. I don't think that in any way that is the correct body to be representing our Canadian Union of Public Employees either at the federal government level or the provincial government level.["][150]

CUPE was quite prepared to use Canadian nationalism in its bid for greater power within the CLC,[151] as a brochure circulated by it and other Canadian-based unions at the 10th CLC Convention in Vancouver in 1974 showed. At the centre of the three-page pamphlet was a picture of a group of workers building a scaffolding with a large Canadian flag on it. **The pamphlet talked about the need "to build the kind of Congress that will genuinely and effectively serve the needs of Canadian workers." And further: "Our vision of reform also includes Canadian control of our labour movement and greater concern for broader social issues."** The message was clear, even if muted.

The muted part was a result of CUPE's fear of losing its leverage over the internationals in the CLC by seeming to support breakaways. As Stanley Little, President of CUPE, reiterated on a number of occasions:

["] I want it known that I in no way endorse the attempts of the CIC to support the efforts of destructive organizations such as the Canadian Workers Union which is trying to dilute the strength of the Steelworkers' Union.["][152]

While recognizing that some international unions did not meet the legitimate aspirations of their memberships to be recognized as Canadians, Little argued this was hardly the case with the Steelworkers. There was a pragmatism in relations between CUPE and large international unions that, pushed to its limits, recalled relations between large Canadian-based and foreign-based corporations.

The Public Service Alliance of Canada is, if anything, less overtly political than CUPE, and less influential within the CLC. In a modest way, however, it too reflected the upsurge of nationalism of the last decade. A 1972 article by the Executive Secretary of the Environmental Component argued:

["] One thing is certain. Canadians are not prepared to relinquish their identity and independence. . . . Thus it is predictable that most Canadians will reject the philosophy of continentalism. The worrisome thing is that despite the nationalistic feeling of Canadians . . . our government and politicians continue to flirt with the feasibility of some sort of continental arrangement.["][153]

And as was pointed out already, the Public Service Alliance was one of the unions which along with CUPE supported the so-called reform slate at the 1974 CLC Convention, which dominated the new executive.

It is on the fringes of the official labour movement that some of the most interesting developments with respect to nationalism occured. An early example lies in a pamphlet *A Canadian Voice,* "Published by a group of Canadian workers at Vancouver, B.C., July 1967":

["] American imperialism, as powerful as it seems today is a sick giant. . . Vietnam provides a view of only a small part of the army of aroused people from many countries that the Americans will soon have to face.
The first question should be: Do Canadians want to remain independent? We say categorically, Yes!

. . . In the circumstances now facing the new Canadian nation, it is very necessary that the trade union movement be free of domination from the United States . . .["][154]

Late 1969 saw the publication of a special issue of *The Progressive Worker,* another Vancouver-based publication, [155] entitled "Independence and Socialism in Canada: A Marxist-Leninist View." *(Reflecting the politics of a Maoist current of the period – Web ed.)* Though too lengthy a document to be summarized in detail here, a few relevant paragraphs give its flavour and direction:

> ["] It is the position of the Progressive Workers Movement that the development and success of a national independence movement is absolutely vital in our struggle for socialism . . . It is an undeniable fact that broad sections of the Canadian working class are thoroughly disillusioned with the policies and leadership of the "internationals" and would welcome an opportunity of an alternative Canadian labour centre which would provide leadership and a rallying point in the exodus of Canadian workers from the American unions. . . . it is critical that the working class have the leading role in the independence movement, and put forth demands that will ensure Canada's independence, once achieved, will be lasting and that Canada will ultimately progress into a socialist state.[156]

The Council of Canadian Unions was one attempt to found such an alternative labour centre, and ever since 1969 has represented a small but persistent thorn in the side of the CLC and some of the largest international unions, especially the Steelworkers. The ideology of the CCU is overtly nationalist, aiming to provide Canadian workers with 1) an independent labour movement that is democratically run by Canadian workers and 2) an end to the "business union" philosophy of the American unions. As the CCU sees the situation:

> ***["] Canada is the only nation in the world that has a labour movement controlled from a foreign country. The consequences of such a situation have become painfully aware to thousands of Canadian trade unionists: autocratic leaders that say what we can and cannot do; "International" representatives that don't understand and couldn't care less about the Canadian situation; union dues that are shipped off to headquarters in Washington, Pittsburgh or New York. . . . The record of the CCU stands in sharp contrast to (the) business union orientation of the American unions. When it comes to a showdown, the unions in the CCU have shown that they are second to none in fighting for working class principles.["][157]***

Making allowance for the usual degree of hyperbole in all such pronouncements, the fact remains that the CCU has played a role on the Canadian labour scene out of all proportion to its small numbers. **Most of its energy has gone into organizing against companies, not international unions, but it has provided a home for dissident unionists unhappy with organizations such as Steel. Its most famous recruit was the former Alcan local at Kitimat, B.C.,[158] but its affiliates have had a number of other successes in mining communities in B.C. Nationalism is clearly an important factor in its appeal, though not the only one.**

["] The younger workers, because of the environment they've been brought up under and seeing the fallacies of their society, these have a stronger feeling of anti-Americanism. It's there, let's not kid ourselves, not only in Canada but all over the world.["][159]

It does not follow that the CCU will ever be successful in recruiting a majority of English Canadian workers into its ranks. Nor does it follow that some of its wilder charges against the international unions, particularly its argument that CALURA figures show consistent plundering of Canadian workers, are altogether true.[160] Nor, for that matter, does it even follow that CCU affiliates are necessarily left-leaning in their politics.[161] But for purposes of this study the CCU is significant in illustrating the movement to greater Canadian nationalism that existed among workers in English Canada between 1965 and 1975. And that movement, as we have seen, embraced the CLC itself, the international unions, Canadian-based unions in the public sector and a certain number of workers outside the official house of labour.

ENGLISH CANADA VIEWS QUEBEC

Before concluding this chapter, let us consider how different classes in English Canada viewed Quebec nationalism in this period. Opinion polls in the early 1970s indicated that an overwhelming number of English Canadians believed that Quebec would not separate from Canada and supported the federal government's invocation of the War Measures Act. [162] **On the other hand, a significant number, more than 40 per cent for English Canada** *(cf. Table 5.4),* **opposed the use of force to keep Quebec inside Confederation if a majority of Québécois wished to secede, a figure which may well have grown since 1971.** By and large, the English Canadian bourgeoisie and traditional petty bourgeoisie were least favourable to Quebec's right to self-determination, while there was considerably greater support among the new petite-bourgeoisie of English Canada, especially the intellectuals, and more problematically, the working class, after 1970.

Where the big bourgeoisie is concerned, hostility to Quebec's right to independence is clear enough. John Robarts, then Premier of Ontario, subsequently director of a horde of companies, stated the position of the English Canadian bourgeoisie (and probably traditional petite-bourgeoisie) circa 1967 succinctly:

> ["] I firmly believe that English-speaking Canadians, by actual practice not just by words, must recognize that Canada is essentially a country of two societies and two founding peoples, in addition to the Indians and Eskimos . . . While we accept that Confederation is a partnership between two basic cultural groups . . . there is only one nation-state for all citizens of our country and that is Canada.["][163]

The Official Languages Act was the extent to which they — and the federal government under Trudeau — were prepared to go *(making Canada officially bilingual – Web Ed.)*

The formation of the Canada Committee and of the General Council on Industry to advise the Quebec government in 1969 — both grouping top executives of corporations like Alcan, Bell Canada, Iron Ore of Canada, Seagram's as well as the principal banks — was an indication of the English Canadian bourgeoisie's opposition to further nationalist lurches in Quebec politics. As R.C. Scrivener, Bell President, and a member of both committees, declared in 1969:

> ["] If we don't wake up, tomorrow it will be too late. (An influential minority promotes) the methodical sabotage of our national unity. The country is going through a crisis which could break it up.[164]

The Brinks coup of April 1970, when Montreal Trust transported several million dollars worth of equity across the Ontario border prior to the Quebec provincial election, further symbolized big bourgeois opposition to the idea of independence, e.g., a victory of the Parti Québécois.

The most interesting evidence, however, lies in the reaction of an English Canadian bourgeois nationalist, Walter Gordon, to the October crisis:

> ["] Surely it is not reasonable to suppose that any part of Canada could separate from other parts without causing grievous harm to all concerned. If this is so, should any group of Canadians — French Canadians, those. French Canadians who live in the Province of Quebec, all Canadian citizens who live in the Province of Quebec irrespective of their origins, or the residents of any province — have the right to self-determination? . . . for better or for worse all Canadians should accept the fact that we are destined to live together for as long into the future as anyone can fortell.["][165]

To be sure, then as later Gordon was prepared to offer Quebec a form of special status short of separation.[166] But on the crucial question of self-determination, Gordon, and one can assume *a fortiori* his anti-nationalist confreres in the big bourgeoisie, were resolutely opposed.

Where the traditional petite-bourgeoisie is concerned, a few representative opinions will be quoted from

sources by no means hostile to forms of English Canadian nationalism. A figure like Eddie Goodman, Chairman of the CIC in 1971-72, rejected the suggestion from Claude Lemelin of *Le Devoir* that the CIC's failure to make inroads in Quebec was because French Canada already had an independence movement — for Quebec.

> "That's a lot of b ... t" snuffed Goodman. Goodman noted that Claude Ryan, editor of *Le Devoir,* subscribed strongly to the objectives of the Committee and he claimed there was a sympathetic atmosphere in Quebec. . . . within the next year the same roots which now existed in the English-speaking provinces would be established in French-Canada.["][167]
>
> (...)

The urgent need in Canada was for a strong national government to prevent Canada's nationhood from being lost through the breach in Quebec.[170]

Among the intelligentsia, e.g., the artists and writers, views were more mixed. An Al Purdy might lampoon René Lévesque and the very concept of an independent Quebec,[171] but on the other side a Dennis Lee could confess four years later: "If I were Québécois, I would be a separatist."[172] In this he was stating a truth which many would-be English Canadian nationalists, especially in the new petty bourgeoisie, had come to realize by the 1970s—that English Canada was one distinct national entity and Quebec another.

The first statement of this idea occurred in the student movement* in the middle and late 1960s, which here, as on the issue of anti-imperialism, played a seminal role. One Canadian Union of Students document reads:

> ***["] Quebec, as a sovereign geo-political society, must be allowed to determine its own future course vis-a-vis North America.[173]***

Another:

> ***["] Quebec must have the right of self-determination, and this does not include the idea that this choice is made by the English-speaking majority of Canada who have been oppressing and exploiting them.[174]***

And a third:

> [***"] I have by and large confined myself in this paper to a discussion of student unionism as it has developed in the predominantly English-speaking provinces. My use of the terms Canada, Canadian and national should be understood in this light. Whenever I employ the term "Canadian" in reference to student unions, I am in fact referring to student unions — whether local, provincial, or national — outside Quebec."](175)***

> *(Note by the author)* *Contrast the complete distortion in James Laxer's "The Americanization of the Canadian student movement" in Ian Lumsden, *Close the 49th Parallel etc.* which gives no recognition to the pioneering role of the Canadian Union of Students and various new left groups in raising the twin issues of imperialism and Quebec in English Canada.

The Canadian Union of Students and the Union Générale des Etudiants du Québec began to put into practice the theory of two separate nations —English Canada and Quebec.

Such an idea was of course heresy to a *Canadian* nationalist like Donald Creighton, for whom the menace to Canada in the late 1960s and early 1970s came as much from French Canada as from the United States:

> ["] . . . the movement to reconstitute Canada in the interest of bilingualism and biculturalism can have only one possible outcome — the creation of a separate Quebec.
>
> ["] Canadian nationalism can be preserved only by a comprehensive program in which resistance to excessive particularism and defence against aggressive continentalism is each an integral part.["][176]

Creighton was not alone. A social democrat like Kenneth McNaught showed scarcely greater sympathy, equating French-Canadian nationalism with "racialism," not to speak of "introverted racial totalitarianism."

[177] A liberal like Ramsay Cook had little sympathy for any nationalism tending towards the nation state.[178] The list of English Canadian academics of similar persuasion would be almost endless for the 1960s and might still be impressive in the 1970s.

Yet there were countervailing views. Reference was made in Chapter Four to Gad Horowitz, who in the mid-1960s in *Canadian Dimension,* was arguing the case for an English Canadian nationalism side by side with Quebec's. **By 1970-71 such a view had become central to the Waffle which, as a result of the October Crisis, argued at the 1971 NDP convention in behalf of Quebec's right to self-determination up to and including independence. By extension, the argument became one for alliances between left nationalists in English Canada and in Quebec.**

> ***["] For English Canadians who are concerned with building an anti-imperialist socialist independence movement in English Canada, the struggle in Quebec is enormously significant. In it lies the hope that English Canadians and Québécois will no longer be victimized by a federal system which has simply handed both parts of the country over to the American corporations. Let us hope that an anti-imperialist alliance is possible.["][179]***

More moderate English Canadian nationalists in the new petite-bourgeoisie were, however, also coming to a self-determination position. Abe Rotstein, one of the co-founders of the CIC and no admirer of the Waffle on most questions, agreed with the latter's position on Quebec.[180] For Rotstein, as for many other English Canadian academics, the October Crisis sparked a *crise de conscience* which led him to conclude:

> ["] Nationalists in (English Canada) must realize that the continued repression of Quebec will only create a society which is not worth inhabiting. . . . Our dialogue must be reopened in a serious vein; our emphasis must be on techniques, on institutions, and strategies that deal evenhandedly with the interests of two emerging nations.["][181]

A work published in 1971, *One Country or Two?* showed English Canadian academics of moderate persuasion wrestling with the question of Quebec independence.

> ["] Separation is no longer a remote possibility advocated by a small group of militants. It is a respectable political movement. It may well succeed.["][182]

While the author of this quotation, Richard Simeon, made clear his personal dislike for Quebec separation, he also underlined his preference for an amicable, negotiated separation *a la* Lévesque's *Option Quebec* over a scenario involving civil war:

> ***["] If Quebec were to decide, democratically, to opt for separation, my own desire would be for English Canadians to recognize the legitimacy of such self-determination, to pursue strategies which would encourage maintenance of relatively friendly authorities within Quebec, and to use the considerable bargaining power available to ensure economic cooperation on beneficial terms.["][183]***

Entre petite-bourgeois, on peut s'arranger. *["between we petit-bourgeois, we can work it out -- Web Ed.)*

That same year, Denis Smith, a Canadian nationalist of liberal persuasion, could formally espouse Quebec's right to self-determination:

> ["] (Is) it permissible for Quebec to secede peacefully from Canada? For liberal democrats, as opposed to liberal defenders of vested interests or vested power, the answer can only be yes.["][184]

Three years later the idea had clearly come into its own when a conservative academic, whose intellectual hero is Edmund Burke, could argue, even while rejecting the *term* self-determination:

["] The claim that Quebec possesses a right to self-determination is either mistaken or else it is a misleading and unfortunate way of saying something worthwhile and important: namely the values of civility to which Canadians aspire, and which they sometimes achieve, precludes the application of force to stop a secessionist movement of the kind contemplated.["][185]

Clearly a good number of Canadian academics, if not necessarily the new petite-bourgeoisie as a whole, had come to a form of recognition of Quebec's right to self-determination — one of the crucial questions outlined in Chapter One as determining the progressive or reactionary character of English Canadian nationalism.

Where the working class is concerned, there is also evidence of movement towards recognition of Quebec's specificity, if not necessarily of her right to self-determination. Back in 1965-66, the CLC in its brief to the Royal Commission on Bilingualism and Biculturalism had argued, "Canada must remain a united nation," even while accepting the necessity of aiding the French language to survive [186]

During the October Crisis, the CLC, like the NDP, expressed concern about the proclamation of the War Measures Act, but in the name of due process and civil liberties, not theoretical rights to self-determination.[187]

In 1974, however, for the first time, the CLC leadership was faced squarely with demands from the Quebec Federation of Labour for autonomy within the Congress, and was forced to yield.

["] The (QFL)'s resolution sought control over 1) the educational program that is now conducted by the Congress; 2) jurisdiction over labour councils, and control of Congress staff now assigned to service them; and 3) the allocation of funds for use by the Federation. The proposals were based on cultural and language differences, and the presence in Quebec of a competing central labour organization, the Confederation of National Trade Unions. The administration was opposed to the resolution.

There was immediate and vehement objection from the floor. QFL President Louis Laberge maintained that, in Quebec, the CLC was far outstripped by the CNTU, and that large international unions were suffering as a result. He insisted that the CLC presence in Quebec could be properly maintained only by strengthening the Federation.

The delegates' rejection of the administration position, and their support for the Quebec resolution, was overwhelming.["] [188]

Despite claims by Joe Morris, CLC President, in an interview with the author,[189] that this in no way reduced the QFL's ultimate responsibility to Congress for policies, the die may well have been cast. The QFL has attained a form of special status within the CLC, recognition of its unique national character. The future may well see a repetition of the UGEQ-CUS separation.[190]

The CLC has not, thus far, come out in support of Quebec's right to self-determination. This position was, not surprisingly, advanced by small left-wing groups such as Progressive Workers *(Maoist; as well as being pioneered on the Marxist left by the Trotskyist movement – refer to it's history at the Quebec section of this Website)* in the late 1960s, [191] and has even been proposed at CUPE conventions, though by a local from Quebec.[192] Yet one suspects that in practice the reaction of the CLC as a whole to a hypothetical bid for independence by a Quebec government would be along the same pragmatic lines some of the academics cited above suggest — acceptance in principle, with an attempt to work out the best possible modalities for separation. Only the future will say for sure.

THEORETICAL CONCLUSIONS

The decline in the American empire, by which we mean the weakening of American military, economic and political power, provided the setting for the upsurge of Canadian nationalism between 1965-75.

The relative decline in the American position saw a corresponding improvement in the position of other capitalist powers, including Canada. Paradoxically, this led to less rather than more nationalism on the part of the Canadian big bourgeoisie, whose lingering fear of American domination vanished. Instead, the Canadian big bourgeoisie aspired to multinational status, making it an inveterate enemy of all nationalisms, English Canadian no less than Québécois. The fact that the major support for nationalism was now coming from the new petty bourgeoisie also turned most of the big bourgeoisie against a concept of the nation, which usually entailed a strong state sector.

The smaller bourgeoisie for its part could not aspire to multinational status, and found its interests increasingly at odds with those of the big bourgeoisie, foreign- and Canadian-controlled, regarding advantages of scale or availability of research and development. Without espousing an unqualified nationalism, many of its members could see the utility of measures that would reduce the size of foreign investment in the monopoly sector and perhaps of the Canadian big bourgeoisie itself relative to themselves. Unlike elements of the new petty bourgeoisie or of the working class, however, the smaller bourgeoisie could not challenge the "free enterprise" assumptions of Canadian capitalism or welcome an increased role for the state in the Canadian political economy.

Farmers and self-employed professionals from lawyers and accountants to writers and artists show no unified class interest, splitting in different directions according to whether their interests were linked to a multinational capitalism or not.

The most important social class behind the rise of a new nationalism was the new petite-bourgeoisie. For the intelligentsia in the burgeoning educational sector, American models were losing their attraction. The margin of manoeuvre of the Canadian state meanwhile increased as American power declined. The fact that the social and economic functions of the state were growing by leaps and bounds gave those working directly or indirectly for the state an importance unprecedented in the Canadian political economy. Like their counterparts in Quebec in the early 60s, many members of the English Canadian new petite-bourgeoisie came to identify nationalism with a strong state sector, based predominantly in Ottawa, but sometimes in the regions. Some could even envisage a separate Quebec state. Ideologically, the nationalism of the new petite-bourgeoisie could range from a socialist anti-imperialism on the left to support for a mixed economy or an independent Canadian capitalism on the centre and right. That important elements of this class also opposed nationalism further underlines the new petite-bourgeoisie's vacillating character. Cohesion is at a premium; but some of its members have access to important ideological and political levers of power, which made its nationalist component a force to be reckoned with in the period in question.

As for the working class, the stranglehold of the international unions over the CLC weakened somewhat, without disappearing. **There was greater support for nationalism, not only in the public sector unions, but among the members of internationals themselves. This reflected the declining economic appeal for Canadian workers of American imperialism and of its long-time appendage, the American trade union movement, opening the door to an increasingly autonomous and independent Canadian trade union movement, though not necessarily to a more radical one.** To speak of a specifically working class-based nationalism, implying a concept of the nation rooted in the working class, would be going too far. Rather one saw fairly widespread support for the kind of nationalism articulated by members of the new petite-bourgeoisie, coupled with opposition to nationalism, especially by members of the older trade union bureaucracy. *(end of Chapter 5)*

FOOTNOTES TO CHAPTER 5 (Part 2 of 2)

123. *The Labour Gazette,* **published by the Department of Labour, Ottawa, gives the following breakdown of the CLC membership in 1974: Total CLC membership 1,615,833 International unions 1,152,843 National unions 462,990 August 1974, p. 554**.

124. The lead article in the *Canadian Paperworkers Journal,* **February-March 1975, begins: "More than 300 delegates to the Canadian Paperworkers Union's First National Policy Conference rose in thundering applause as C.P.U. President L.H. Lorrain inaugurated the union's first official meeting since its founding with the words, 'We're here. The Canadian Paperworkers Union—we've made it— collectively we've made it happen."'**

125. *Canadian Labour,* July-August, 1966, p. 30.

126. For the text of the guidelines, see *Gordon to Watkins to you,* pp. 52-3.

127. *Canadian Labour,* July-August 1966. 124. *Ibid.,* March 1967, p. 23. 128.*Ibid.,* May 1968, p. 37.

129. *Ibid.,* November 1968, pp. 14-16.

130. *Ibid.,* June 1968, "International Affairs Report on Convention," p. 37.

131. *Ibid.,* June 1968, "International Affairs Report on Convention," p. 37. 132. I*bid.,* May 1969, editorial, p. 5.

133. Donald Macdonald, Address to the CLC's 8th Convention, *Canadian Labour,* **June 1970, p. 6. See also the interview with William Mahoney of the Steelworkers in** *The Labour Gazette,* **August 1973, p. 527 in which he attacks the CIC and the Council of Canadian Unions.**

134. *The Labour Gazette,* September 1970, p. 640.

135. David Lewis, Address to the CLC's 9th Convention, *Canadian Labour,* June 1972, p. 20.

136. Ed Finn, "The Struggle for Canadian Labour Autonomy," *The Labour Gazette,* Nov. 1970, pp. 767-74, p. 767.

137. Gil Levine of CUPE, "The Coming Youth Revolt in Labour," *The Labour Gazette,* November 1971, pp. 722-30, p. 727.

138. Mel Watkins, "The Trade Union Movement in Canada" in Robert Laxer, ed., *Canada Ltd.,* pp. 178-96, 193-94.

139. "The CLC Convention: New Faces New Direction for the Congress," *The Labour Gazette,* Aug.1974, 552-60.

140. Interview with Ron Lang, Legislative Director of the CLC, May 21, 1975.

141. Interview with Norm Simon, publicity director of CUPE, Ottawa, May 22, 1975.

142. CUPE *Journal,* November-December, 1970. 143. Interview with Norm Simon.

144. CUPE *Journal,* May-June 1971. 145. *Ibid.,* December 1972.

146. *Proceedings,* 5th CUPE Convention, 1971, p. 30. 147. *Ibid.* 148. I*bid.,* p. 32. 149.*Ibid.,* p. 17.

150. L. McClintock, Local 1238, Chatham, Ontario, *Proceedings,* 5th CUPE Convention, 1971, p. 98.

151. In 1973-74 CUPE was trying to gain jurisdiction over some of the weaker provincial civil service federations, at one point even threatening to leave the CLC on the question. The 10th CLC Convention decided to encourage provincial federations of civil services to ally inside a new Canada-wide union of provincial civil servants, but not under CUPE's banner. 152. CUPE Press Release, June 16, 1973

153. Bill Brassington, "Continentalism—One Option," *Canadian Labour,* November-Dec. 1972, p. 32.

154. *A Canadian Voice,* pp. 2, 7, 9, 14. This pamphlet is available in the Department of Labour Library, Ottawa. *Apparently* the authors were without any organizational affiliation.

155. Jack Scott, a veteran Communist, who broke with the Canadian CP in the early 1960s to adopt a pro-Chinese position (though never slavishly so like the later CPC-ML associated with Hardial Bains), was one of the key influences on Progressive Worker.

156. The Progressive Worker, *Independence and Socialism in Canada,* inside front cover, pp. 47, 49.

157. Confederation of Canadian Unions, *Canadian Union News,* May 1975, "The CCU—A Real Alternative," p. 1.

158. Cf. Paul Knox, "Breakaway Unionism in Kitimat," in P. Knox and P. Resnick, editors, *Essays in B.C. Political Economy,* Vancouver, 1974, pp. 42-51.

159. Bob Kiever, former President of the Steelworkers Local 480 at Trail, B.C., cited in the author's "The Breakaway Movement in Trail" in Knox and Resnick, editors, *op. cit.,* pp. 52-59, p. 54.

160. For an example of Kent Rowley, Secretary-Treasurer of the CCU, attacking the internationals on this score see *The Montreal Gazette,* March 19, 1971: "A net total of $80 million has been poured into the United States trade union movement in the last seven years by Canadian union members." For a reasoned counter-argument see Ken Eaton, economist in the Economics and Research Branch of the Canadian Department of Labour, "Financial aspects of international unions," 7"Ae *Labour Gazette,* August 1972, pp. 413-423.

161. The author was present at a Western regional conference of the Council of Canadian Unions, held in Vancouver in January 1973, where a fair number of the delegates, e.g., those from the newly accredited Canadian Aluminum Smelter and Allied Workers Union (CASAW) at Kitimat, voted against or abstained on a resolution condemning the U.S. resumption of bombing of North Vietnam. (N.B. The Canadian House of Commons had just passed an all-party resolution to the same effect.) For a criticism of the Canadian Association of Industrial, Mechanical and Allied Workers (CAIMAW), one of the CCU's main affiliates, see Alvin Finkel "Winnipeg's CAIMAW: Business Unionism Replaces Business Unionism" in *Canadian Dimension,* Vol. 8, No. 1, June 1971, pp. 45-6.

162. Cf. the figures cited in footnotes 20 and 21 above.

163. John Robarts, *Report of the Montmorency Conference,* Progressive Conservative Advisory Conference of the Centennial Convention, Courville, Quebec, August 7-10,1967, pp. 108-9.

164. *The Globe and Mail,* January 20, 1969.

165. Walter Gordon, "The Right to Self-Determination," *The Canadian Forum,* April-May, 1971, pp. 27-28.

166. *Ibid.,* p. 28. Also "Walter Gordon on Giving Quebec its Due," *Maclean's,* September 1972, pp. 72, 76-77.

167. Paul Kidd, "Committee for an Independent Canada ignores Quebec," *The Montreal Gazette,* December 14, 1971, p. 7, reporting on the CIC's first national conference at Thunder Bay.

168. The author was present as an observer at the CIC's 5th Convention held between August 1-3, 1975 in Vancouver, and recalls that the Francophone Québécois participation was all of one, the initiator of the proposal for a bi-national committee, Normand Paquin.

169. Carr, *op. cit.,* p. 7.

170. *Ibid.,* p. 111.

171 A.W. Purdy, "Levesque: The executioner of Confederation?," *Maclean's,* October 1971, pp. 28-9,

172. Denis Lee, on the program "Le Nationalisme au Canada Anglais," *Present National,* 20 février, 1975, kindly made available to the author by the producers of *Présent.*

173. Colin Leonard, *Relations with I'Union Générale des Etudiants du Québec,* C.U.S., Ottawa, 1968,

174. Don I. Ray, *Political Thought of C.U.S.,* Ottawa, 1968, p. 10.

175. Brian Hutchison, Associate Secretary of C.U.S.. *CUS and Student Unionism,* Address to the XXXIInd Congress of C.U.S.. Guelph, Ontario, August 28-September 4, 1968, p. 3.

176. Donald Creighton, *Towards the Discovery of Canada,* pp. 269-270, 285.

177. McNaught, "The National Outlook of English-speaking Canadians," *op. cit.,* p. 63, p. 71.

178. See especially "Nationalism and the Nation-State." the lead essay in Cook's *The Maple Leaf Forever,* pp. 1-11.

179. Jim Laxer, "Quebec in the Canadian Federal State." in R. Laxer, ed., *op. cit.,* pp. 232-49, p. 248.

180. Abe Rotstein, "After the Fall" in *The Precarious Homestead,* pp. 118-24, p. 124.

181. *Ibid.,* pp. 119-22, *passim.*

182. Richard Simeon, "Scenarios for Separation" in R.M. Burns, editor *One Country or T. .,,?,* Montreal, 1971, pp. 73-94, p. 73.

183. *Ibid.,* pp. 93-4.

184. Denis Smith, *Bleeding Hearts . . . Bleeding Country,* Edmonton, 1971, p. 141.

185. David Cameron, *Nationalism, Self-Determination and the Quebec Question,* Toronto, 1974, pp. 155-56.

186. CLC brief to the B & B Commission, *Canadian Labour,* January 1966, p. 23.

187. *Canadian Labour,* November 1970.

188 *The Labour Gazette,* August 1974. "New Faces New Directions for the Congress," p. 558.

189. May 21, 1975, at CLC Headquarters, Ottawa.

190. In the early 1960s, the Union Générale des Etudiants du Québec was set up by Francophone Quebec Students no longer prepared to be part of a federalist organization, the Canadian Union of Students. The UGEQ-CUS scission was the first carrying through of the two nation principle to the establishment of two quite separate national organizations of students.

191. "English Canadians must support the right of the Quebec people to secede from Canada if they so desire . . . There will never be any possibility of solidarity between the peoples of English-Canada and Quebec if English-Canadians support the forcible retention of Quebec within the Canadian state." *Progressive Worker, op. cit.,* p. 57.

192. Resolution No. 85, submitted by Local 2500 in Quebec in 1971 reads: "BE IT RESOLVED that this Convention goes on record as being in favour of the right of self-determination for each of the Canadian provinces." *Proceedings,* 5th CUPE Convention, 1971, p. 32.

Class, Power and Property
Essays on Canadian Society

Wallace Clement (1983)

CHAPTER ONE (excerpts)
The Changing Structure of the Canadian Economy

(All emphasis by the Web Ed.)

(Originally published in 1974, this paper represents the historical and corporate background later developed in The Canadian Corporate Elite *...)*

Canada's economic development has involved a series of changes in its organization and control; these structural transformations have recast opportunities available to Canadians for upward mobility and access to power. (...)
(…)
Social Forces and Social Change
(…)
Importing Colonial Structures
(…)
Canada's Ruling Class and Nascent Industrialists: From Entrepreneurial to Corporate Capitalism
(…)

Foreign Portfolio and Direct Investment

Differences in the effect of portfolio and direct investment parallel those outlined earlier between the two great fur-trading companies: The implications of these types of investment are most apparent in the types of institutional structures they develop and the nature of the elites who control them. Portfolio investment, although tied to a veto power of lending financiers, produces more freedom than does direct investment. Portfolio investment, typically bonds, is 'self-liquidating' in the sense that earnings from investments are used to pay off debts. This creates institutions in the economy controlled by indigenous businessmen able to form an indigenous capitalist class. **Direct investment brings with it a 'package' of direct control and foreign capitalists. Rather than self-liquidating, it tends to accumulate and expand on the original investment; while creating economic activity, it does not necessarily create an indigenous capitalist class.**

Two important trends in foreign investment in Canada are the increasing orientation to direct investment and, simultaneously, the increasing proportion of investment from the United States. For example, between 1913 and 1926, U.S. investment as a percentage of all foreign investment increased from 22 per cent to 53 per cent. There is a strong tendency for U.S. investment to be direct and U.K. investment to be portfolio. **It is at the level of capital formation that basic differences exist between Canada's relationships with the United Kingdom and with the United States. One relationship breeds increasing autonomy, the other dependency**. The ruling finance, transportation and political elite was built and flourished on U.K. portfolio investment, while the U.S. direct investment represents the entrance of U.S. control in the industrial and resource sectors. Direct investment produces what has come to be known as a branch-plant economy.

While the Canadian financial ruling class was taking control and consolidating firms, powerful U.S. industrialists to the south were transferring their own concentrated industrial system into Canada as branch-plant operations and through buying out viable firms that were consolidated on a continental basis. A Canadian industrial capitalist class did exist at the turn of the century as an emerging social force, but between U.S. industrialists and Canadian financial capitalists their

survival was limited. Only a few, who allied with the ruling class, were able to continue in manufacturing.

At the time of Confederation, only 7.5 per cent of the total foreign investment[6] was direct. This climbed steadily to 30 per cent by 1926, reaching 50 per cent by 1952 and nearly 60 per cent by 1965. Paralleling the shift from portfolio to direct investment was the shift from the United Kingdom to the United States as the source of investment. While the United States had controlled only 8 per cent of of all foreign investment in Canada in 1867, this jumped to 53 per cent by 1926, 77 per cent by 1952, and almost 80 per cent by 1965. U.S. direct investment has been a growing social force within Canada since the turn of the century and especially in the postwar era. Given the nature of control associated with direct investment and the types of structure it creates, it can be anticipated that important transformations have occurred in the structure of power for the Canadian economy. The important questions are whether this new social force has displaced traditional Canadian elites based in finance and transportation, has been absorbed by the old elite or has developed a parallel structure alongside the traditional elite. John Porter's 1952 study of the corporate elite provides some indication of what has occurred.

[Note 6] For investment statistics, see Levitt, 1970, *Silent Surrender* and Statistics Canada, 1971.

Canada's Corporate Elite in 1951

Porter drew his list of dominant corporations from the period 1948-50, just at the beginning of the fantastic onslaught of U.S. direct investment in the 1950s and at the peak of the postwar industrial boom. He argues that the corporate elite was based in 183 dominant corporations that controlled the majority of economic activity in Canada (1955: 508; 1956). Manufacturing corporations, Porter notes, were highly influenced by U.S. control, which accounted for 40 to 50 per cent of their gross value. Financial institutions, however, represented a different pattern with only five U.S. residents and one from the United Kingdom out of 203 bank directors. Bank directors held 23 per cent of all directorships in dominant industrial corporations, while dominant insurance directors held 14 per cent of the dominant industrial directorships. Insurance directors also held 27 per cent of the bank directorships, while bank directors held 41 per cent of the dominant insurance directorships (1965:211). Of the total elite, 23 per cent were U.S. dominated, that is, either U.S. residents or Canadian residents in U.S. subsidiaries, while only 4 per cent were U.K. dominated. **These findings suggest that U.S. capitalism made significant inroads into the Canadian corporate structure, but the Canadian component remained powerful in the financial sector, its traditional strength. Initially, it would seem that a parallel structure had been struck, with U.S. control in large parts of manufacturing and Canadian control of its traditional forte.**

Porter's study provides an analysis of the Canadian resident members of the corporate elite for 1951. He finds that "the professional and financial groups make up almost 60 per cent of the economic elite. Another 14.8 per cent of the elite are individuals who were born in or close to it," thus indicating mobility was strongly biased towards those from finance backgrounds (1957:380-81). He also finds only 6.6 per cent of the elite to be French Canadian (one-third of the population). Other ethnic groups had insignificant numbers in the elite (one-fifth of the *[total]* population), and the rest were Anglos. This illustrates that ethnic origin was as significant for access to the economic elite in 1951 as it had been in 1885 and 1910. **Whatever the effect of U.S. investment, it did not change the ethnic balance in Canada at the upper levels of economic power; nor did it undermine the class base of the elite.** The upper class, composed of the kin of earlier elites and big business-- men, still held a predominant place in the power structure. Porter found that 38 per cent of the elite had upper-class family origins, and this increased to 50 per cent when those who attended private schools were included.[7] The middle class accounted for 32 per cent of the elite, and,only 18 per cent were lower than middle class. Class of origin shifted significantly higher when only the most powerful members were included. For the top one hundred members of the elite, 67 per cent were upper class in origin, including those who attended private schools.

[7] Fee-paying private schools of the Headmasters' Association in English Canada and classical colleges in Quebec were institutions where upper-class children received their education. The high cost of sending children to these privileged establishments restricted access to those whose parents were wealthy enough to pay high tuition and boarding costs.

The high interlocking that Porter found within economic institutions is matched by elite cross-membership in terms of kinship ties, common educational backgrounds in private schools, a few key universities and law schools, plus social groups such as private clubs (394). He also describes a number of relationships members of the economic elite had with one another and with members of other, particularly political, elites (1965:430-31,526-29). Porter maintains, "Social goals are now established by a much smaller number than in the days of entrepreneurial capitalism. Because of the traditional rights of private property, enshrined in the myth that corporations are individuals, the corporate elite hold the creative privileges available" (1961:34). Porter's findings indicate that by 1951 corporate capitalism had become well entrenched in Canada and that a financial elite still based in an upper class with strong political connections remained the keystone of the economic system. There are indications, however, that significant inroads had been made by U.S. industrialists into the manufacturing sector, traditionally the weakest sector as far as the Canadian economic structure was concerned. The period just following Porter's study confirms the trend to increasing U.S. control of industry and also indicates it has made intrusions into the resource sector as well. The implications of this will be analysed in the following section.

Parasites, Satellites and Stratification: Current Trends in Canada's Economy

Following the historical development of a strong indigenous financial elite and a weak indigenous industrial elite, the 1950s witnessed the development of foreign control in manufacturing and resource sectors. As a strong social force in Canadian society, foreign-controlled multinational corporations (8) have a prominent place among Canada's dominant corporations. This serves to dislodge or prevent the emergence of a portion of the indigenous economic elite. Between 1952 and 1960 there was a dramatic inflow of U.S. capital into Canada, with U.S. direct investment rising by $6,017 million to $10,549 million compared to only $1,535 million U.K. direct investment by 1960. **It is the almost doubling of U.S. direct investment, carried mainly through multinationals, in the span of only eight years that has had such a great impact on the Canadian economy and social structure. Foreign investment during the 1960s followed mainly the same pattern as the earlier decade.** From 1960 to 1965, U.S. direct investment further increased by $3,196 million.

(8) “Neo-mercantilism” is a term sometimes used to describe the political ecoomy of multi-national corporations, but a distinction must be made (…) in the creation of an indigenous labor force (…)

It is often argued that multinationals bring extensive capital into capital-poor areas, either geographically or developmentally defined, but the example of Canada suggests otherwise. Between 1960 and 1965 total new capital inflows from the United States amounted to $4.1 billion, but counter to this, outflow in the form of remittances to U.S. parent corporations amounted to $5.9 billion, a net outflow of capital from Canada to the United States of $1.8 billion (Levitt, 1970:94). In addition, most of the 'foreign' capital for expansion was obtained within Canada. Capital sources for expansion of foreign-controlled firms totaled $43.9 billion between 1946 and 1967, and only $9.7 billion or 22 per cent was from foreign sources. For the period 1960-67, this declined to only 19 per cent (Information Canada, 1972:25). Canadian capital and capital generated from retained earnings of foreign-controlled firms in Canada finances the majority of foreign-controlled investment and expansion.

Current Elite Structures

One point of analysis insisted on by elite theory is that it is not adequate to examine underlying economic processes and institutional structures alone, but that analysis must be taken to the level of relations between sets of people, particularly those holding the command posts of dominant institutions. Essential to elite analysis is the structure of decision making and the study of those holding key positions. It is only at this point that the structure of inequality can be analysed in terms of social stratification. For example, to argue that multinational corporations dominate part of Canada's economy would be incorrect. Elite theory insists it is those who head these corporations, the directors and senior management, who command the resources of these organizations. It is this essential de-reification of corporate structures that is integral to an analysis of social stratification.

***A*s indicated, Canada in the 1960s witnessed a great transformation in its economic power structure. As a consequence of these developments, three major elites can be identified. First is the indigenous elite**, closely associated with the dominant, Canadian-controlled financial, transportation and utilities corporations, with smaller representation in manufacturing and resource sectors. **Second is a comprador elite,** the senior management and directors of dominant foreign-controlled branch plants, mainly in the manufacturing and resource sectors. **This group is subservient to a third group, the parasite elite,**[9] which controls major multinationals that dominate important sectors of the Canadian economy through branch plants.

[9] A parasite, according to [any] dictionary, is something that receives advantage from its "host" "without giving any useful or proper return," thus reducing the host's potential for development. What is important is that this concept describes a particular relationship where actions of one party serve its own self-interest to the detriment of other parties. It is argued that this relationship most aptly describes how multinational corporations relate to structures of decision making and potential for development.

The difference between the use of portfolio and direct investment by the United Kingdom and the United States has already been emphasized. In terms of investment, it may be accurate to describe Canada's relationship with the United Kingdom as 'satellite,' since it was U.K. portfolio investment that developed an indigenous corporate elite. However, the notion of satellite does not capture the quality of Canada's relationship with the United States in the postwar period. **The U.S. case involves direct control and development of a satellite elite within Canada, but this elite has only secondary power within the overall multinational framework. The powerful elite associated with U.S. direct investment is actually a foreign elite appropriately described as a parasite**. **Comprador elites [10] are top managers and directors of branch plants who follow directives and policies from the multinational head-quarters. Their functions are mainly advisory and administrative**, since they manage the affairs of subsidiaries; branch plants are simply subsidiaries of parent corporations that cross national boundaries and as such are subject to the same constraints as other subsidiaries.

[10] The term 'comprador' has its origins in an analysis of China in about 1850 when there existed a 'hybrid society' of the Imperial system and foreign powers who used compradors as a way of mediating or as a 'wedge' for their interests in order to conduct business within that country (see Moore, 1966:176).

Elite formations in a situation of high foreign control include parasite elites that control parent multinational corporations, comprador elites that manage branch plants, and an indigenous elite that controls national corporations and may or may not be linked with foreign corporations in addition to its primary activities. Further elaboration of this structure would exist where the indigenous elite is itself multinational in character and acts as a parasite elite towards another nation. More complexity may also be introduced if the elite structure is international and members of an indigenous elite cross national boundaries and sit on boards of foreign-controlled parent companies.

With regard specifically to Canada, the traditional economic elite has never been seriously threatened in its stronghold by the burst of U.S. direct investment, and in fact it enjoyed a favourable position of servicing the industrial boom stimulated by U.S.-controlled investment.[11] Even in the few instances where their autonomy has been challenged, as in the Mercantile Bank affair and insurance company takeovers in the early 1960s, close alliances with political interests have allowed the members of this elite to capitalize on this privileged position and bring pressure to bear for legislation ensuring their protection. **The fragmentation of the elite that has occurred does not necessarily, or often, breed conflict. On the contrary, the position of the indigenous elite, particularly the major section based in finance, transportation and utilities, is reinforced by the industrial development occurring with U.S. direct investment.** It is the smaller Canadian entrepreneurs based in industries that have not established themselves as dominant who feel the squeeze of U.S. penetration. Unable to maintain their autonomy, those in this group are frequently forced to sell their firms and join the ranks of the comprador elite or live off the proceeds from their sale.

[11] In addition to providing capital backing to foreign firms, both parents and branch plants, the indigenous elite has been active in supplying utilities such as natural gas and hydroelectric power, and providing extensive transportation services such as ship lines and railways, and communication networks such as telephones and telecommunications, not to mention the services of trust and mortgage companies.

In the meantime, other interests, not as well developed as the traditional upper-class Anglo elite, are restrained from attaining economic power. These include, for example, French Canadians, members of 'third' ethnic groups, people from underdeveloped regions of Canada, such as the Maritimes and the West, and other members of regional and social hinterlands — not to mention the majority of the population not from the upper class.

Structured Inequality: Dominant Corporations and Their Interlocks

Control over major sources of capital, especially banks and insurance companies, as well as paramount positions within other key sectors of Canada's economy, serves as the power base of the corporate elite. With increasing economic concentration, the structure has become increasingly closed, thus making it more difficult for those outside the inner circles to break through. Tight controls prohibit other members of society from effective participation in economic decisions of consequence, decisions about the future, and the direction of the Canadian economy.

Presiding over the corporate world, members of the current corporate elite use as their means of power central institutions of the Canadian economy — 113 dominant corporations, their subsidiaries, affiliates, investments, and interlocking directorships with smaller corporations. Each of these 113 separate legal entities obscures the fact that at the top a small number of people with common social origins, common experiences and common interests oversee the direction of economic life. The 'corporate mirage' of competing, struggling corporations obscures the reality of elite power and masks overriding factors that bring those at the top together to govern these legal fictions.

Corporate Concentration

In the two decades since John Porter identified the central corporations in Canada, mergers and acquisitions have been prevalent among dominant corporations. For example, Domtar, itself an affiliate of Argus Corporation, has acquired three other dominant corporations as defined in 1948-50; John Labatt Limited has acquired three others, while Power Corporation has acquired four. Most prominent has been George Weston Limited, which includes no less than six earlier dominant corporations. Overall, of the 183 dominant corporations identified by Porter, 41 have been reduced to 17 companies through acquisitions and mergers. It should be remembered that this consolidation is only among the very largest companies that have also been absorbed. The centripetal movement represented by merger and acquisition centralizes the means of exercising power and further aggregates the scope of power held by the corporate elite. **Over these twenty years there has been a consolidation of power by traditional elites; however, there has simultaneously been the increasing penetration of U.S. capital, representing a new social force within Canada. These two social forces, one new and the other traditional**, **have developed side by side but have been located in relatively distinct sectors of the economy, as will presently be demonstrated.**

Identifying Dominant Corporations

(...)

Directorship Positions

(…) The total number of foreign-resident directorships has remained stable over the period, shifting only slightly from 309 to 301 in spite of rapid increases in the amount of foreign control. This indicates that a simultaneous shift has occurred in the way foreign investment is now controlled. **Rather than directors coming to Canada from foreign residences to board meetings, an increasing proportion of foreign subsidiaries are managed by inside directors, both Canadian- and foreign-born, resident in Canada**. In other cases Canadian participation is substantial in these subsidiaries, as will be evident when interlocks are examined.

Analysis of directorship positions by birth found 1,277 positions held by persons born in Canada, 301 held by those born in the United States, 113 in the United Kingdom and 64 born elsewhere. **This leaves the**

impression that Canadian-born members dominate the boardrooms; however, when residence and birth are combined with control, a contrary situation is evident for some sectors. Porter found that in 1951, 27 per cent of the positions in dominant corporations were held by foreign residents or by Canadian residents in foreign-controlled corporations. In 1972 this 27 per *cent had increased to 40 per cent.* When birth rather than residence is used, foreign control increases to 46 per cent of the positions. These figures represent the total of all sectors combined. When the analysis becomes sector specific, as Table 1.2 *(p.20 - 1983)* illustrates, important differences emerge that support the previous analysis concerning the particular concentration of traditional indigenous elites and the location of new social forces controlled outside Canada. For present purposes, only a table based on residence will be presented, although, as the above figures indicate, birthplace shifts the proportions toward greater foreign control, while the same pattern remains.

Wide variance between sectors and areas of control illustrates the validity of making such distinctions. Canadian residence and control account for about three-quarters of the positions in both finance and utilities (including transportation), while U.S. residence and control account for only about 12 per cent (the lowest U.S. participation) in finance and 22 per cent in utilities. **It is evident that the core of indigenous Canadian capitalism is centred in its traditional forte of finance and utilities, accounting between them for three-quarters of all positions which are controlled in Canada by Canadian residents.** Canadian control and residence account for about one-half the positions in trade, while U.S. participation increases to almost two-fifths and U.K. participation to about one-tenth. Canadian participation in manufacturing drops to 45 per cent, most of this accounted for by involvement in either pulp and paper or food and beverages; U.S. participation increases to about one-third, while "Other" area participation increases to about one-tenth, similar to that of the United Kingdom. **The resource sector is important because over one-half the positions are controlled by U.S. residents or ownership, while Canadian participation falls below one-quarter; the United Kingdom remains at about one-tenth, while "Other" areas increase to 15 per cent.**

The strongest overall indicator of the extent of compradorization remains the difference between the 27 per cent foreign-controlled positions based on residence in 1951 and the 40 per cent by residence and 46 per cent by birth in 1972. While this does indicate a significant increase in the amount of foreign, particularly U.S. control, a substantial segment remains Canadian in finance and utilities in spite of the erosion of power in manufacturing and resource sectors.

Corporate Interlocks (see Table 1.3 p.23 - 1983)

(1) *Finance.* The nine chartered banks identified as dominant by Porter in 1951 had 203 directors, including five U.S. residents and one from the United Kingdom. In 1972 the five dominant banks total 231 directors, including seven U.S. residents, ten U.K. and one "Other." Although there are three times as many foreign residents now, they still account for only 9 per cent of all directorships in dominant banks. Porter found 197 Canadian residents with bank directorships held 297 directorships (22.7 per cent of all positions) in dominant corporations; in 1972 the 231 Canadian residents with bank directorships held 306 other dominant positions (25.1 per cent). In addition, over a quarter of the bank directorships are held simultaneously by a director of one of the eleven dominant insurance companies.

A strong explanation of why capital is difficult to secure for new ventures not undertaken by members of the elite is that banking circles are part of the established elite, making it almost impossible for outsiders to 'break in.' The elite members have both the contacts and legitimacy required for access to capital. Access to banks and insurance companies provides the advantage necessary to avail themselves of new investment opportunities. A tight financial system ensures bank investments will be stable and secure but also prohibits those outside the charmed circle from breaking into the elite. Banks and their extensive contacts with the elite provide a focal point for elite continuity and operate as major exclusion mechanisms.

(...)

(2) *Dominant Corporate Interlocks.* There are a total of 1,848 interlocked directorship positions within the 113 dominant corporations in Canada. This enormous web of interconnections cuts across the

formal structures of each dominant corporation; it is the existence of these multiple exchanges that permits the analysis to move from separate corporate entities to an interacting set of powerful people, the corporate elite, who control and direct the Canadian economy.

Canadian-controlled companies are the greatest interlockers with other dominant companies. Core corporations with the highest interlocks are at the centre of the Canadian economy and provide institutional continuity for the entire elite. **The five most interlocked companies among the 113 are the Canadian Imperial Bank of Commerce (ninety), the Bank of Montreal (seventy-three), the Royal Bank (sixty-three), the Canadian Pacific Railway (sixty-one), and Sun Life (sixty). Above all others, these stand as the core institutions of the economic elite. Not far behind are the Toronto-Dominion Bank, Bell Canada and Domtar with forty-six interlocks each. The foreign-controlled corporation with the highest number of interlocks is International Nickel (thirty-four), which is in the same category of over thirty interlocks as the Bank of Nova Scotia, Canada Life, Brascan, Argus, Huron and Erie, Dominion Stores, Trans-Canada Pipelines, Consolidated-Bathurst, John Labatt, Stelco and Massey-Ferguson. With twenty-five to twenty-nine are three foreign-controlled companies, Gulf Oil, Hudson's Bay and Canada Cement Lafarge, while Canadian-controlled Power Corporation, National Trust, Simpsons, Abitibi Paper and Molson are in the same range.**

At the other end, there are seventeen Canadian firms with less than ten interlocks, and nine are family firms, including six of the eight with under five (13.8 per cent of the Canadian-controlled dominant companies). More than half the U.S.-controlled companies have less than five interlocks, while only 30 per cent of the U.K. companies and none of the "Others" have fewer than five. ***When the average number of interlocks by area of control is examined, companies controlled in the United Kingdom and "Others" are more integrated with the core of the Canadian elite than are those controlled in the United States. Canadian companies, as would be expected, have on the average the most extensive interlocking networks.***

(3) *Multiple-Directorship Holders.* In 1951 Porter found that 203 members of the corporate elite, or 22 per cent of the total, held more than one dominant directorship; together they held 600, or 46 per cent, of all dominant directorships (1965:589). This pattern is still evident in 1972, only more so. The proportion of directorships accounted for by people holding multiple directorships has increased from 46 per cent in 1951 to 54 per cent in 1972, indicating an increase in interaction at the upper levels of power from 1951 to 1972. There is also an increased proportion of the elite engaged in dominant interlocks, with a change from 22 per cent to 29 per cent. In other words, 274 members of the elite of 1972, representing 29 per cent of the total, hold 782 or 54 per cent of all dominant directorships. In 1951 three or more dominant directorships were held by 91 members of the elite, accounting for 28.8 per cent of all elite positions; in 1972, members are in the same category and hold 32.4 per cent of all dominant directorships. **The implications of this shift are for further concentration of power at the top over the twenty-year period.**

Conclusion

Two major processes have been occurring throughout Canada's economic history and particularly between 1951 and 1972. **During these years, there has been a marked tendency for an increasing centralization and concentration of capital into fewer and larger firms, and secondly, there has been an increasing penetration of the economy by foreign, especially U.S., direct investment.** These processes are associated with two social forces, one traditional and the other new. Traditional social forces are represented by the indigenous elite and are concentrated in finance, utilities and, to a lesser extent, in specific parts of the manufacturing and resource sectors. ***The new social force is represented by a comprador elite, the Canadian counterpart of a foreign-based parasite elite, concentrated in manufacturing and resource sectors.***

Analysis has shown that during earlier periods, particularly in the 1880s, the social structure was relatively open and recent immigrants could enter manufacturing. However, as accumulation and concentration took effect, financiers consolidated smaller firms, thus closing avenues and limiting access. Since then, it has become increasingly difficult for other than the dominant Anglo upper class to enter the

elite. The transformation of the economic structure, particularly since the growth of branch plants in the 1950s, has had an effect on the elite structure. This new elite has concentrated in sectors traditionally neglected by the indigenous elite. ***The comprador elite parallels rather than displaces the traditional elite, since it remains sector specific.[14] Since the traditional Canadian elite chose to gather its surplus in the role of mediator rather than producer, it has committed itself, and Canada with it, to an economy wherein U.S. industrial capitalists represent a leading industrial force. The power of the indigenous elite has not been eroded in the process; quite to the contrary, it has further consolidated its position in traditional activities.*** The extremely high number of interlocks between the two major sources of capital, banks and insurance companies, as well as the extensive web between Canadian-controlled companies, illustrates that as corporations themselves become more concentrated so does the interaction between elites. ***Indeed, the fact that 29 per cent of the elite hold 54 per cent of the positions indicates that extensive elite interaction has been taking place among indigenous corporations in spite of the new social force represented by U.S. direct investment and the comprador elite.*** It should not be surprising in the following paper to find that avenues to the traditional elite have become more closed in the process; it will be interesting to note whether new social forces do bring new social types.

NOTE 14. However, as was argued earlier, the parasite elite and its Canadian extension, the comprador elite, does inhibit the emergence of an indigenous elite in manufacturing and resources. It does displace a portion of the indigenous elite by buying out established dominant corporations, but this has largely occurred outside traditional areas of Canadian control.

(end of selection)

Class, Power and Property
Essays on Canadian Society

Wallace Clement (1983)

CHAPTER THREE *(excerpts)*
Uneven Development: A Mature Branch-Plant Society
(All emphasis by the Web Ed.)

Taking-a broad sweep o f Canadian society, the following paper examines various implications o f Canada's uneven development. After first setting Canada within the historical world system, the paper turns internally to regionalism as an expression o f uneven development, then briefly returns to the contemporary international level by situating Canada once again within its world context.

(...)

Uneven Development in the Historical World System

Foreign domination has distorted the Canadian economy and hence its class structure. This distortion did not begin with U.S. branch plants, although they are in part a reflection of the initial distortion resulting from dominance by the United Kingdom and a focus on resource extraction. To come to an understanding of Canada's current position, it is necessary to provide a brief historical sketch of Canada's uneven development. It will be seen that the sphere of circulation and service has been overdeveloped within Canada by the indigenous capitalist class, while there has been an indigenous underdevelopment of the sphere of production and the vacuum has been filled by U.S. capitalists in the areas of manufacturing and resources. The manufacturing sector is truncated and the resource sector geared to external requirements; both are vulnerable to the whims of metropolitan capitalists. **It will be argued that a fraction of the indigenous Canadian capitalist class has benefited by the penetration of foreign capital and has struck an unequal alliance with U.S. capital, while another fraction of Canadian capital has been 'squeezed out' by these two dominant fractions**. It will further be argued that the distortions of the capitalist class are also reflected in regionalism and Canada's international investments. Finally, some tentative observations concerning the implications of uneven development for the Canadian state and class formation will be offered.

Until the First World War, British capitalists used Canada as an outlet for their surplus capital and manufactured products and as a source for important resources. These resources were commercial staples, such as fish, fur, timber and grain. In order to extract these resources it was necessary to create an infrastructure of roads, ports, shipping, railways, brokerage houses and financial institutions. **The vehicle by which the capitalists of the United Kingdom created this infrastructure was portfolio or loan capital.** This was interest-bearing capital that Canadian capitalists borrowed to invest, in turn, in the necessary infrastructure, typically under the guarantee of the Canadian state. **Over time, this invested capital paid a return and the initial loans to British capital could be repaid, leaving Canadian capitalists in command of these institutions.**

Thus, Canada developed as a trading nation dependent on resource extraction and the whims of the world market; in turn, it served as an outlet for the goods of Britain, retarding its own manufacturing capacity. Even when and where this capacity was developed locally, little was done to sustain it. Indeed, the dominant fraction of Canada's capitalist class bought out much of this early manufacturing capacity and extended its holdings because it controlled the critical transportation networks essential for access to the national market and the necessary capital for expansion. **As will be expanded upon later, many areas of Canada, particularly the Atlantic provinces, experienced a de-industrialization around the turn of the century, while other areas experienced the imperialism* of central Canada in the form of the railway and the development of a wheat economy with the products destined for Europe.**

*(*This obvious innovation in the use of the term 'imperialism,' by a Marxist author, however also appears to ignore the signal Canadian policy of federal 'equalization' payments from richer to poorer provinces; while it does emphasize the extreme imbalance of economic development across Canada due to the overwhelming extent and opportunist concentration of first British then US investment in Central Canada, i.e., the compradors of Central Canada, in many cases Canadian by birth but dominated by their foreign 'senior partners' -- Web Ed.)*

Within Britain important changes were taking place. The first was the decline of mercantile capitalists, the counterpart of the indigenous Canadian capitalist class in the sphere of circulation, and the rise of industrial capitalists. This was marked by a movement toward free trade, which undermined the protected position and secure markets Canadian capitalists had had within the British Empire. **The second change was the decline of Britain as the imperial centre and the rapid rise of the United States to this central position.**

(Perhaps thereby nipping the bud of native capitalist development, then as today, through the get-rich-quick gains of 'free trade' -- the inevitable development of imperialism, by peaceful means rather than military -- of consolidation and monopolization by dominant nations –Web Ed.)

Initially, Canada had simply been a dumping-ground for U.S. surplus production. Tariff walls were created in reaction and this stimulated the establishment of branch-plant operations within Canada to maintain these markets. After the First World War these branch plants became important outlets for Canadian capital, both as investments and as buyers of Canadian manufacturing plants. This was particularly the case in high-technology, secondary manufacturing. *They were seen by dominant Canadian capitalists and the Canadian state as a surrogate for indigenous industrialization.* They represented industrialization from without; local industrialists lacked the technology, financial resources and access to markets these branch plants could provide. Small-scale Canadian manufacturers continued to survive so long as there were local or regional markets they could serve. Once the economy became a national and then rapidly a continental one, they could no longer compete. ***Foreign-controlled branch plants soon came to dominate the sphere of production.***

The shift in capital terms is illustrated with the following figures: in 1926, 66 per cent of the outside capital invested in Canada was in the form of portfolio investment, 30 per cent in direct investment and 6 per cent miscellaneous. By 1974 direct investment accounted for 60 per cent, portfolio for 34 per cent and miscellaneous for 6 per cent. Canada's external dependence had simultaneously shifted from Britain to the United States.

While the indigenous fraction of Canada's capitalist class was nurtured on British portfolio investment and found its niche in finance, transportation and utilities, U.S. investment had a very different impact. Direct investment, as expressed in the branch plants of multinational corporations, involves an entire 'package' consisting of technology, access to markets, access to capital, and management. **Unlike portfolio investment, over time direct investment expands and widens the scope of control for its owners. In Canada 80 per cent of the foreign direct investment is owned in the United States. In time this investment eventually expands at a rate faster than new investment, using both internally generated capital and capital borrowed within the investing country, and actually drains off more capital than is invested from without.** This position was reached in Canada during the early 1960s. Branch plants do not require the development of an indigenous capitalist class for their operation, since they remain externally controlled. They serve, rather, to displace existing capitalists in the activities they engage in or prevent them from emerging. ***In Canada these firms found a welcome ally in the dominant indigenous capitalist class, anxious to invest in their secure operations and to benefit from the activity they generated.***

U.S. corporations began to penetrate the Canadian economy with great intensity after the Second World War. This penetration was motivated by two forces. The first was the push for an expanded market for their manufacturing capacity; the second, a search for resources to feed industrialization at home. Both were designed to expand U.S. hegemony and maintain profitability. The first was simply an expansion of tendencies that had existed since the turn of the century but on a grander scale. The second was a conscious

reaction to the experience of the Second World War and the Korean War, after which the U.S. government began to assess its future resource requirements. **The Paley Report ("Resources for Freedom") identified twenty-two key resources, with Canada designated as a major source for twelve of these. Table 3.1* illustrates the central position Canada represents in U.S. mineral requirements.** *(*See pictorial file of Table 3.1 at the end of the Chapter 3 -- Ed.)*

In 1946, 35 per cent of Canada's manufacturing was foreign controlled, but this rose to 50 per cent by 1953, and 56 per cent by 1957; in mining and smelting, the increases during the same years rose from 38 per cent to 57 per cent to 70 per cent. Thus, in the course of a decade, the productive cornerstones of Canada's economy ceased to be Canadian and became foreign dominated.

This development was welcomed by many Canadian capitalists. They participated in foreign control in a variety of ways. For example, by 1970 Canadian capitalists had committed some $5.8 billion to U.S.-controlled companies in Canada, representing 21 per cent of the value of U.S. direct investment. They also benefited from the secure loans they made, guaranteed by the foreign parents, the transportation and utilities branch plants used, and the access to technology and foreign markets they produced.

Alone, national financial capital is inherently weak. It requires secure, long-term capital outlets. Rather than risk supporting indigenous Canadian industrialists who were less stable, and given the inviting option of U.S. companies, financial capitalists in Canada frequently exercised their option and supported the larger and more secure companies from the United States. **By feeding some and starving others, Canadian financial capitalists played a large part in the formative stages of the current arrangements. Financial capital is typically found to be closely integrated with national industrial capital, particularly during the era of corporate capitalism.** But this is not the only outlet — only to mention giant transportation and utilities projects or, in Canada's case, externally controlled industrial capital in manufacturing and resources, or even the state and its sponsored activities, illustrates the variety of alliances and outlets possible for financial capital.

While some Canadian capitalists benefited from U.S. penetration, the overall condition drew Canada into a dependent position within the world system. Table 3.2* illustrates the indebtedness of the Canadian economy. ***As is evident from this table, Canada's indebtedness to the United States often exceeds its total indebtedness, indicating that even when Canada is in a favourable position vis-a-vis the rest of the world, its relationship with the United States places it in a dependent position.*** *(*See pictorial file of Table 3.2 following Chapter 3-- Ed.)*

(The author's apparently illogical statement "Canada's indebtedness to the U.S. often exceeds its total indebtedness..." would we assume refer to his contention that total US investment in Canada's economy exceeds Canada's total national debt -- Web Ed.)

What implications for Canada's class formation stem from this pattern of uneven development? This is a question that has seldom been asked except in regard to the capitalist class. **It is evident that foreign ownership, because of its impact on capital formation and structure and on the uneven development of the Canadian economy, has a strong impact on class formation and class structure but has a much more indirect impact on class relations.** Put differently, foreign ownership has had a strong impact on the instruments of production but relatively less on the relations of production.

(If by 'class relations' the author includes industrial actions, one recalls the epic strikes against Asbestos & lumber companies in Quebec and B.C., against coal in the Maritimes and Auto in Central Canada, which heavily impacted both domestic and 'international' unions, 'relations' which were a major impetus to the formation and consolidation of this continent's only non-capitalist labor party, the NDP -- Web Ed.)

Both foreign and private Canadian investment are predicated on capitalist ownership of the means of production, although the relative concentration and stage of development of each source of ownership tends to differ significantly. Foreign ownership dominates in most resource-based activities and in secondary

manufacturing. Moreover, it is much more heavily concentrated in the largest firms within these industries. **Since foreign ownership is most commonly in the form of a branch plant of a much larger multinational corporation, many of the functions and activities associated with the entire corporation, such as research and development or marketing, are often performed outside the country. An obvious consequence is the 'exporting' of a large number of highly skilled jobs in these areas.** Canadian capitalists, on the other hand, tend to be overdeveloped in finance, transportation, utilities and general services.

Closely corresponding to patterns in the economy is control of the labour movement. International unions, an anachronism* for U.S.-headquartered unions, are concentrated in the same industries that U.S. corporations dominate, while in the areas where Canadian capital or the state dominate, national unions or no unions at all tend to be predominant. The specific implications for Canada's class formation, aside from the implications for the capitalist class, which will now be discussed, will be analysed in a later section.

(The author apparently misuses the term 'anachronism' meaning to say 'euphemism'! -- highlighting the egregious lack of Canadian union sovereignty, and the bureaucratization of both 'international' and Canadian unions being the 'anachronism" -- Web Ed.)

Canadian capitalists, particularly the powerful ones in the sphere of circulation**,** have aligned themselves with U.S. corporations and invested heavily in them. "Canadian investment in common shares of United States (corporations comprised 85 per cent of Canadian portfolio investment in all foreign stocks. ***I*nvestments by Canadians in United States stocks and bonds totaled $2,967 million at 1974 year end, or 76 per cent of total Canadian portfolio investment in foreign securities"** *(Statistics Canada, 1978b:26). Table 3.3** **illustrates that most of this investment has gone into very large holdings, with over half in investments of over $5 million.** Of the $5,367 million Canadian investors have in U.S. corporations, $2,988 million (56 per cent) is in manufacturing corporations and $847 million is in petroleum and natural gas (16 per cent). **Since these same corporations are the ones that penetrate the Canadian economy and create branch plants, it is reasonable to assume that a good deal of the financing is coming indirectly from Canadian capitalists through their investments in the parent corporations in the United States.** *(*See pictorial files of Tables 3.3 & 3.4 at end of this Chapter 3-- Ed.)*

It must be made clear, however, that the nature of this relationship is a most unequal one. Table 3.4* illustrates the extent of this inequality. ***While part of the Canadian capitalist class does participate directly in the expansion of U.S. corporations and benefits from this expansion, the overall effect is to drain capital from Canada to the United States***. In 1974 the net drain of capital was $1,481 million. ***The effect is to make Canada capital poor and more reliant on external capitalization. The circle of direct investment is a vicious one, leading only to greater and greater dependence.***

It is important to note, however, the mediating role some Canadian capitalists have had in this structure of dependence. Much of their capital is invested in U.S. corporations, and these Canadian capitalists are also given positions on the branch plants of these companies in Canada. In fact, of the indigenous fraction of the dominant capitalist class in Canada, 31 per cent sit on the boards of U.S. branch plants in Canada. In addition, 7 per cent of the members of the Canadian economic elite hold positions directly on the boards of companies in the United States. **Of the 113 dominant Canadian companies, 63 (or 56 per cent) are interlocked with U.S. dominants; of the 194 dominant U.S. companies, 73 (or 38 per cent) have interlocks with dominant Canadian companies** (Clement, 1977:172-80). The direction of these ties is mainly from U.S. manufacturing to Canadian finance and back again, suggesting that at least part of Canada's capitalist class is able* to operate within the continental economy.

(Or, rather than "is able," in reality "is integrated" into the continental [U.S.] economy, i.e., is "comprador" capitalist, a term which the author used in his 1975 and 1977 volumes, but has largely disappeared as of 1983 -- Web Ed.)

Uneven Development as Regionalism

Uneven development has two main manifestations in Canada. These are expressed in its regional inequalities and in the sector-specific activities of fractions of the capitalist class, as discussed above. **Regional uneven development is marked by the fact that the centre of Canadian manufacturing and finance is located in the 'golden triangle' between Windsor, Toronto and Montreal. The rest of the country is heavily reliant upon key resources typically foreign-controlled and destined for external markets**. For the North, it is mining and minerals, following traditional furs; in British Columbia, it is wood, pulp and paper, mining, fish, agriculture and some hydro; it is natural gas, petroleum and potash, along with grain, on the Prairies; it is mining and pulp and paper in the northern areas of Manitoba, Ontario and Quebec, along with hydro; in Atlantic Canada, it is pulp and paper, agriculture, fish, some coal, and hydro. These regions feed the golden triangle and U.S markets with their resources and, in turn, consume the manufactured products from these centres. The economies of these different parts of the country, in turn, produce different types of class structures in these regions (see Clement, 1978) and have consequences for the nature of the Canadian state.

Both forms of uneven development result in large measure from the effects of foreign pressures that have penetrated and shaped Canada. Initially, France and then the United Kingdom colonized what is now Canada in search of staple commodities, and used it as an outlet for their surplus capital, which was invested in building the nation's infrastructure — its roads, canals, ^ports, railways and financial institutions — essential to moving these staples abroad from Canada. These colonizers provided a ready outlet for Canada's commercial staples — fish, fur, timber and wheat — while the colonies were a ready market for their manufactured products.

William Lyon Mackenzie characterized the dependent condition of British North America well when he said in 1824:

["] Our foreign commerce, confined and shackled as it is, and it has been, is entirely in the hands of the British manufacturers. . . . Our farmers are indebted to our country merchants, our country merchants are deeply bound down in the same manner, and by the same causes, to the Montreal wholesale dealers. Few of these Montreal commission merchants are men of capital; they are generally merely the factors or agents of British houses, and thus a chain of debt, dependence and degradation is begun and kept up.["] [Quoted in Ryerson, 1968:106-7]

Because the primary form of capital used by the United Kingdom in Canada was portfolio or loan capital, this necessitated the development within Canada of an indigenous capitalist class and a stable state structure that could guarantee these loans and oversee their investment. This arrangement continued until, in 1846, marked by the abolition of the Corn Laws in Britain, there was a movement toward free trade and an end to Canada's privileged position within the empire. **Canadian capitalists then floundered in search of another imperial centre to which Canada could become attached. Many signed the Annexation Manifesto of 1849 calling for commercial union with the United States; they settled for the Reciprocity Treaty of 1854**. Soon followed Confederation, whereby central Canadian capitalists would become their own colonizers, turning east and west. The foundation of their economy remained that of mediators between Canada's resources and foreign markets, but alongside this, there was beginning to be developed small-scale manufacturing interests that had grown to serve the Canadian market. These were basically local in nature and tied to the local populations in Ontario, Quebec and the Atlantic provinces.

The position of small-scale manufacturers was, however, a precarious one. Dominant central Canadian capitalists controlled the transportation networks essential for getting goods to market and the pools of capital necessary for expansion. In addition, the United States by this time had become an important industrial nation, itself searching for outlets for its products and sources for raw materials. ***These two factors combined to cause the demise of indigenous Canadian industrialization, particularly in Atlantic Canada.***

T.W.Acheson has summarized the position of Atlantic Canada within Confederation:

["] Crisis occurred in the depression of 1874-79, when the British and American markets for Canadian wood products and grains experienced a sharp downturn. To further aggravate the situation

> many American businessmen, faced with contracting domestic markets, began dumping large quantities of manufactured products on the Canadian market at substantially reduced prices. The combination of failing markets and foreign competition drove hundreds of manufacturers into bankruptcy and seemed to threaten the very survival of the small and comparatively inefficient Canadian manufacturing sector.["] [1977:91]

In light of the fluctuating demand for Canadian staples and the dumping of surplus production by U.S. capitalists on the Canadian market, Sir John A. Macdonald devised the now famous National Policy of 1879. **This policy was based on a program of tariffs to bring industry into Canada, railways to produce a national economy, immigration to fill the West, and production of wheat destined for the world commodity markets. It served to stimulate manufacturing within Canada but, as will be seen, did little to sustain it**. As Acheson has illustrated:

> ["] The National Policy increasingly fulfilled its promise of making the entire domestic market available to Canadian producers. Thus, in reaction to the problems of an international economy which was unable to consume Canadian staples, and in response to the demands of a variety of concerned business interests, the Canadian government moved to restore the traditional metropolis-hinterland economic relationships... . The effect of the reorganization was to create a new economic metropolis, centred in Montreal, replacing the traditional British and American centres. [1977:93]

All did not fare equally well under this new structure: "The Canadian metropolis was unable to perform most of the functions usually associated with a dominant centre. . . The most critical metropolitan failure was the inability of the Central Canadian market to consume the output of these new regional industries" *(Acheson, 1977:95).* **The result was the destruction of Atlantic industry, its takeover by central Canadian capitalists by the time of the First World War, and its replacement by branch-plant industries and central Canadian banking consortia.**

John Baker has shown the scale of this demise. In Atlantic Canada "there was a decline in the number of persons employed in manufacturing, from 69,529 in 1890, to 43,179 in 1920 (reaching a low of 24,538 in 1933)" (1977:201). **The root of this was in the overproduction of manufacturing output in central Canada and in the control by the financial capitalists of central Canada. Following Confederation, the new federal state implemented policies resulting in "the effective prohibition of independent community banking [as had existed in Atlantic Canada] and the establishment of a branch banking system, controlled from Montreal and Toronto"** *(Baker, 1977:298).* **These centrally controlled banks caused a shortage of loan capital and higher interest rates, thus undercutting the ability of Atlantic manufacturers to compete.**

Alongside the exodus of banks from Atlantic Canada to central Canada was the equally devastating impact of the railway. As Henry Veltmeyer has argued:

> ["] Between 1917 and 1921 production and employment in Maritime manufacturing industry fell by nearly 40%. As the consolidated corporations began to close their Maritime branches and to concentrate their production facilities in central Canada, numerous other Maritime plants were forced into bankruptcy by the ruinous freight rates applied by the Canadian National Railway. As a result, by 1926 eight of the leading industrial towns and cities along the International Railway provided 45% fewer jobs in manufacturing than they had at the beginning of the decade.["] [1979:21-22]

In Atlantic Canada, a once thriving manufacturing base reverted to staples production, and with that, dependency. Whereas staples had accounted for 32 per cent of the Atlantic output in 1911, this grew to 38 per cent by 1951 (see Acheson, 1977:98). Not only did the region return to staples production, it also turned to the U.S. market as its primary outlet. By 1966 two-thirds of Atlantic exports were sent to the United States, and forest, mining and fish products accounted for 85 per cent of its exports *(see Acheson, 1977:113n)*. The decline in manufacturing coincided with the mass exodus of many workers to other parts of Canada and the growth of the state and service sectors. More than anywhere else in Canada, Maritime workers were employed in these sectors and experienced the highest rates of unemployment. ***The consequence of such a pattern of development, James Sacouman argues, has been that "capitalist underdevelopment in Atlantic Canada has for many years capitalised two exportable commodities: raw materials and human labour"*** (1979:110).

(Undoubtedly the same devastation of Maritimes and other outlying sections, not equally but significantly, by a fully independent Canadian capitalist class, would have occurred without foreign domination in manufacturing, but at a far more moderate pace and not without a powerful 'payback' on the part of Maritime labor -- Web Ed.)

The weight of the National Policy shifted many benefits to central Canada. By the time its effects were fully felt, central Canada housed the major financial centre of the nation and established a monopoly over manufacturing, extending its power over the East through branch operations and exports. **By 1910 four-fifths of Canada's manufacturing capacity was located in Ontario and Quebec. Increasingly, this capacity was no longer controlled by small-scale Canadian capitalists. Some had shifted into the hands of Canadian finance capitalists in the steel, pulp and paper, and food and beverage industries as they expanded into corporate ventures by buying out many small operators and creating monopolies. Outside these areas of industry, U.S. capitalists led the way, particularly in the technology-intensive secondary manufacturing and resource sectors. This served to reinforce and aggravate the problems of regionalism in Canada.**

(A point to be well noted by the reader, but this regionalism focuses its resistance on the Canadian state, which becomes it's "ward" -- hence heightening Canadian nationalist awareness with a healthy negative anti-capitalist thrust -- Web Ed.)

An explanation for the difference in the patterns of development within central Canada between Quebec and Ontario has been offered by John McCallum, who argues: "Ontario industry developed on classic lines as the agriculture-based economy grew. . . . Markets, capital materials and labour were overwhelmingly local. Meanwhile, industrial growth in Quebec was based mainly on elements external to the province" (1980:6).

He argues that superior wheat production provided the necessary market in pre-Confederation Ontario for the development of local capital and manufacturers to supply agriculture. Furthermore, "in Ontario the shift from wheat to other commodities was a case of successful diversification around the staple product, or avoidance of the 'staple trap.'" Ontario developed a local market for its industry; Quebec, however, lacked such "a back country" essential to industrialization.

Sharply in contrast to Ontario was the experience of the West during its wheat boom; there the Canadian Pacific Railway (CPR) monopolized development and aggrandized central Canada. The initial health of Ontario's local manufacturing eventually gave way to the onslaught of U.S. direct investment as a process of consolidation took place, drawing industries out of many small towns in central Ontario into the major metropolitan centres of Toronto and Hamilton. **These major centres then used the rest of Ontario, and indeed the rest of Canada, as their market, thus displacing local industries (as in Atlantic Canada) and preventing others from emerging (as in the West**).

By 1931 two-thirds of U.S.-controlled manufacturing plants were located in Ontario, with Quebec accounting for another 16 per cent. Today Ontario receives 62 per cent of the taxable income from U.S.-controlled manufacturing companies even though it has only 36 per cent of the population (see Clement, 1978). All other regions are significantly underrepresented. ***Thus, the penetration of the Canadian market by U.S. branch plants in Ontario served to draw even more economic power into the centre, further distorting the economy and failing to build a truly national market, since Canada was immediately drawn into a continental market where the United States dominated.***

(Against what appears to be a natural and inevitable development of the continentalist US-Canada economy, socialists could argue, 'au contraire,' that with an independent capitalist/imperialist class retaining control of its economy there would --in turn-- develop a 'normal' powerful autonomous union movement promoting development ot its labor party politics and thus nurturing a healthy revolutionary wing in that party-- Web Ed.)

Central Canadian capitalists, both indigenous and foreign controlled, extended their dominance to the West. Following a path blazed by the Hudson's Bay Company, the CPR was given control over most of the

West's productive land. **In the vision of central Canadian dominance, the West was turned into a resource hinterland so that central Canadian capitalists could continue their historic role as mediators of Canadian resources for the markets of the world and the West would be a market for central Canadian-produced goods. This left western farmers vulnerable.** As Paul Phillips has shown:

> ["] The farmer had to sell his output, mainly grain, on an unprotected (European) international market, but had to buy his finished goods on a highly protected domestic market increasingly dominated by American manufacturers. ***What is significant, of course, is that the western producer had no control over either his market or his supplier. . . . caught between the fluctuating world grain prices and more stable finished-goods prices, the western producer suffered wide variation in real income***.["] *[1977:21]*

Added to their burden was the discriminatory freight rates imposed by the CPR whereby the wheat rate "was almost three times that for comparable distances in competitive eastern areas" and consuming "half of the farmer's gross income from his grain crop" (Regehr, 1977:118-19). At least until the Second World War, the agrarian petite bourgeoisie, as expressed in the Social Credit and 'Co-operative Commonwealth Federation' parties *(the 'CCF,' forerunner of the NDP -- Ed.),* dominated the politics of the West in reaction to the domination of their markets, transportation systems, financial sources, and implement supplies by central Canadian capital. **While unable to protect themselves totally against the exploitation of this system, they did manage to create important institutions to moderate its impact with, for example, the introduction of the Wheat Board and the cooperative movement.**

> *(With the recent Harperite Conservative government gutting the National Wheat Board, what degree of local control the Prairies held, has totally passed to private dealers, sold for less than a song, i.e., for less than the IRA review threshhold -- Web Ed.)*

Today freight rates continue as a major obstacle in industrial development in the West. As fewer and fewer farmers are needed to work the more-mechanized farms, people are forced off the land and into the urban areas but find little employment in manufacturing industries. It has been difficult to attract manufacturers to the region because the freight rates make it more profitable to remain in central Canada and ship to regional markets. For example, the rate per hundred weight to ship iron and steel products by rail from Toronto to Vancouver is 168 cents but from Toronto to Saskatoon the rate is 247 cents. Ensuring that a minimum of processing will occur with the grains, it costs 92 cents per hundred weight to ship from Saskatoon to Moncton, while the rate for mill feed is 162 cents (see Regehr, 1977:132-33). **Besides freight rates, however, the historical legacy of central Canadian manufacturing ensures that the entire country will be served from one location that monopolizes the markets, thus preventing the development of regional competitors.**

Since 1947, however, the West has had petroleum as an important lever in its dealings with central Canada. This industry, as one of the key industrial staples, is dominated by foreign, largely U.S.-controlled oil companies. **When western oil came on stream, a world oil monopoly had already been established. Western oil simply became another domain for the Seven Sisters already in command of the markets and technology necessary to develop these resources.** While petroleum gave the West an important counterpoint against central Canada, it in fact drew the West into a greater structure of domination (albeit one that would produce tremendous wealth). ***As Larry Pratt has convincingly argued, "Canadians are not receiving fair value for the exploitation of their resources; that it is the handful of multinational companies holding almost exclusive leasing privileges in the tar sands, that are dictating the conditions for their development"*** (1976:17). The costs of-dependence are important, as provincial governments remain dependent upon single resources for their survival. Multinational companies often shift the risk and costs to the state while at the same time ensuring their own, profitability. **"Thus government must shoulder the enormous financial burden of building the massive infrastructure required to service and supply these remote projects, providing equity and debt financing, royalty holidays, guaranteed returns and prices, ensure labour stability, train a work force,. underwrite environmental studies and costs — all of which carried a price tag in the billions"** *(Pratt, 1977:95).*

(Thus it is not so much a question of the world's lowest royalties being applied against Albertan oil and gas, as it is the huge state subsidies to this industry, that is resulting in endemic poverty, food banks and unemployment in Canada -- Web ed.)

The fact that several important Alberta-based, resource-related firms have emerged during the past decade is certainly an important occurrence. ***It cannot be overlooked, however, that control over the vast majority of energy remains with a few large multinational energy companies.*** The provincial state clearly has expanded its revenues as a result of capturing more rent from its energy, but so have the international oil companies. The dividends from these corporations are the property of their foreign parents. Rents collected by the state may provide the potential for alternative strategies but, depending upon how these revenues are used, need not lead to greater control over the destiny of the province's economy. ***The minimum that such a strategy should achieve is the maximization of petroleum-related industries, such as equipment manufacture and an extensive petrochemical industry, using the petroleum to manufacture final products. The maximum could be investment of these rents in non-petroleum activities that would produce jobs, build a diversified industrial base and reduce external dependence. Neither strategy has been systematically implemented with these rents.***

(The example of Norway -- or in the past, Mexico's -- policy of public control of petrochemicals, with appropriate royalties in the 70% of profits range, and the creation --as in Alberta in the past -- of a public resources fund to ensure that Canadians enjoy a fair share of their natural resources' wealth -- is not cited here unfortunately .) [See excerpt of CCPA article at end) --Web Ed.]

The main factor accounting for the prosperity of Alberta in the 1970s has been the effectiveness of the Organization of Petroleum Exporting Countries (OPEC) and thus the rapid rise in world oil prices. This, of course, is not the result of policies carried out by the Lougheed government, nor of the rise to power of a 'new middle class' in Alberta, nor even of the demise of the multinationals. Whether an apparently 'successful staple,' such as energy in Alberta appears to be, will lead to an equalization of power with central Canada remains to be seen. Much will depend on how successfully the West pursues the strategy of capturing the advantages of forward and backward linkages and whether or not the exceptionally high cost of energy will bottom out. ***In either case the balance of economic power rests with the international oil companies, not likely candidates to seek a balanced Canadian economy.***

A **repeat of Canada's history of uneven development is again taking place in the North. The** *Berger Report* **calls the North "an area of production remote from the main markets of Canada and from the homes of those who own and invest in its resources. . . . The first great staple industries in the North were the fur trade and whaling; then followed by mining; now there is gas and oil"** *(1977:117).* Each of these staples has left its stamp on the North, but the most recent developments in mining and minerals have been the most disruptive, serving exclusively outside interests. As Mel Watkins has shown, *(see this folder, 1977- Watkins: The Dene Nation: The Colony Within)* the fur trade involved the native people as gatherers of fur. They acted as independent commodity producers, selling their products to the fur-trading companies, thus giving them a measure of autonomy and control over their homeland. With mineral production, however, capitalists demand "both rights to the use of land and people who will work for a wage" (1977:88). The linkages generated by this search for industrial staples benefit industrialized parts of the country but have only disruptive effects on the traditional ; economy of the native people. Moreover, the benefits of this development accrue primarily to the United States, and not even to industrialized Canada. As Edgar Dosman has shown, ***"In most well-established countries, the development of a peripheral region would be a largely domestic issue. In Canada, however, the development of the North was inextricably linked to the issue of the Canadian relationship with a foreign power, the United States" (1975 :xiv).*** This is because the United States is the major recipient of Canadian gas and oil exports and because the companies controlling these resources are U.S. controlled. ***As has been characteristic of the entire Canadian economy, the exploitation of natural resources for foreign markets has placed Canada in a vulnerable position in the world system. In the North this means the destruction of the native people's final homeland, their last refuge from a mode of production that destroys their traditional culture and livelihood.***

(Here Clement's condemnation of the protection the Canadian state affords to foreign exploitation is brought home by the refusal of 'social license' to the massive petrochemical pipeline and train

transportation of Canadian tar sands, as well as to fracked oil and gas via LNG [liquid natural gas] plants and shipment -- in play today [from 2014 on] -- Web Ed.)

Uneven development obviously has different consequences for the various regions of Canada. Southern Ontario's successful diversification from its initial reliance on wheat to a powerful industrial base has not been matched elsewhere. **Indeed, the concentrated industrial power of this area, along with its far-reaching control over finance and transportation, has been a major reason why the rest of the country has become so reliant on resource extraction, has failed to develop a strong industrial base (as in the case of the West), and has had its industrial base destroyed (as in Atlantic Canada).** The industrial capacity of southern Ontario has, however, been built upon the uncertain sands of foreign ownership. **With the recession of the late 1970s, much of that industry has been shaken as foreign firms retrench, leaving behind shells of factories and laid-off industrial workers. The totally foreign-dominated automobile industry has been hardest hit. As of July 1980, 23,200 auto workers were on indefinite layoffs, and fifteen plants were closed in the previous half year alone.**

While southern Ontario has — with justification — been the traditional locus of regional antagonism in Canada, in the post-OPEC period attention has shifted to oil-rich Alberta. Both areas, it needs to be stressed, have foreign-controlled corporations dominant in their major industrial and resource activities. **While the fortunes of one currently appear to be on the rise and the other on the wane, neither is really a 'master-of-its-own-house.' Both are subordinate to the powers of the multinationals**.

(Or more precisely, subordinate to the powers of our own parliament which are shepherding these multinationals into our public domain with free -- and subsidized -- passage --Web ed.)

Uneven Development in the Contemporary World System

A further expression of Canada's uneven development is evident in its relationship with the rest of the world. Investment from Canada falls into two types, closely corresponding to the relative strengths of Canadian and foreign capitalists within the Canadian economy. The first is real Canadian investment abroad, located primarily in finance, transportation and utilities. At the pinnacle of this are the five dominant Canadian banks. As the people from the Development Education Centre have argued:

> ***["] The Canadian banking trusts chose very early an international strategy, rather than bearing the risks of boom and bust in the Canadian 'staples' economy or in underwriting a potential national manufacturing strategy. Profits were more stable and insured in cooperation with Wall Street or London, no matter whether the action was at home or abroad.["]*** *[1977:50]*

The fortunes of Canada's banks abroad followed those of first the British and then the U.S. empire. For example, "branches and sub-branches of Canadian banks in the Caribbean and Latin America peaked at 140 in 1926; that figure was not reached again until 1958" *(Chodos, 1977:11).* **Today, riding on the crest of U.S. hegemony, Canadian banks have grown to be the third largest in international financial circles.* The five dominant Canadian banks, which control over 90 per cent of Canada's banking, all earn a fifth or more of their total revenues from foreign operations, and this share has been increasing.** The international operations expanded at a rate of 667 per cent between 1966 and 1976, considerably faster than the 394 per cent growth in their domestic operations for the same period.

******The author makes the claim: Canadian banks as an aggregate are the 'Third largest worldwide'? But this aggregate is ridden with cross-links to giant American corporations, reflecting their status truly as North American banks as much as Canadian; furthermore, is the author claiming a status for 'our banks' in some way challenging the heft of the aggregate or individual behemoths of Japan, Great Britain, Germany and France? Indeed, the question is posed: Is not Canada unique in that its 'national' banks are fully integrated with foreign banks outside their state, the Canadian state which is kept an exclusive closed club by mutual agreement? -- Web ed.)*

Besides the indigenous Canadian investment abroad, there is a second rather unusual form of 'Canadian' investment abroad. **This is 'go-between' investment whereby branches, typically of U.S. companies, are used to control other branches in the rest of the world**. As early as 1929, companies like

Union Carbide, Ford Motor Company, Standard Oil of New Jersey, and Aluminum Company of America used Canadian subsidiaries as a means to avoid U.S. laws and take advantage of preferential Canadian tariffs. **Today this pattern remains and a good deal of Canadian foreign investment in the manufacturing and resource sectors is usually controlled outside of Canada, with the Canadian branch acting as a go-between** *(Clement, 1977:115-17).* **Thus, foreign investment distorts not only Canada's national economy but its international relations as well.**

Of Canadian direct investment abroad in 1974, 36 per cent ($3,363 million) was in the form of go-between investment. **Table 3.5 provides a breakdown of Canadian and go-between 'Canadian' direct investment abroad by the geographical area of investment.**

Table 3.5 "Canadian Direct Investment Abroad, 1974" *(See end of Chapter 3 -- Web Ed.)*

In Africa and Australasia, go-between investment actually exceeds Canadian-controlled direct investment abroad. **Looked at differently, of the go-between investment, $445 million is in Commonwealth countries other than the United Kingdom and is located mainly in the manufacturing sector.** There is an additional $320 million go-between investment in countries outside the Commonwealth and the United States, and this is located primarily in mining and petroleum. **Much of this go-between investment is direct investment flowing from U.S. branch plants in Canada to Commonwealth countries to avoid manufacturing tariffs, and another part is in the form of Resource investment in Third World countries**

(Thus showing that much of the vaunted "Canadian imperialism" –in some left circles – is in fact US in origin and ownership -- Web Ed.)

Canadian direct investment abroad is also highly concentrated in a few giant corporations. As few as sixteen companies with investments of over $100 million each account for 67 per cent of the total. Only seventeen Canadian-controlled companies with investments of over $50 million account for 81 per cent of all Canadian-controlled direct investment, while eight go-between corporations with over $50 million in investments account for 44 per cent of this type.

Unevenness is a quality that characterizes not only Canada's internal development but its location within the world system as well. Now to be located within this overall pattern are the Canadian state and class formation.

The Relative Dependence of the Canadian State

It has been argued to this point that Canada is characterized by uneven development both internally and internationally. Another important area where this unevenness expresses itself is in the Canadian state. The most obvious expression is in federal-provincial relations and in conflicts among the provinces themselves. Uneven development as regionalism, discussed earlier, means that conflicting economic interests which are translated into political struggles become dominant issues. This fragmentation becomes further complicated by the demands of various fractions of the capitalist class, outlined earlier as yet another expression of uneven development. The problem is thus not simply to provide an analysis of the state but to create an analysis of society. **It is an illusion to think the state operates independent of society. It is both generated by society and influences that society; in other words, the state is wedded to the socio-economic make-up of society. In the case of Canada, unevenness is a dominant feature.**

Questions concerning the relative autonomy of the state have become important points of debate with the resurgence of Marxist theories of the state. This position acknowledges that the state in a capitalist society is used to further the general interests of the most powerful sectors of a society and in order to do so 'stands back' from the particular interests of some dominant sectors or fractions. **In Canada this autonomy has not been much in evidence. Instead, there has been contradiction, confusion and conflict within the state itself.** The fundamental role of the state in any capitalist society is not only to regulate or mediate relations between classes; the state is also crucial for regulating intraclass relations. In Canada this task is pushed to the extreme, given the fractions of the capitalist class already outlined. It is

also important to take note of fractions of the state itself, especially differences between federal and provincial levels and between government and other parts of the state apparatus, such as regulatory boards and agencies, the judiciary and the public bureaucracy.

The major division within Canadian capital is between big- and medium-sized capitalists rather than between Canadian and foreign capitalists, and the overall weight of the Canadian state is such that it reinforces these dominant capitalists. Canadian capitalists, especially those in the giant banks, life insurance, trust and holding companies, back winners, whatever their nationality; their interests are inextricably bound to the international system of capital.

("Major" inter-capitalist conflicts may exist, but fundamental class interests are certainly not at play between Canadian and U.S. corporations; while equally certainly, "Canadian banks, etc., back winners" i.e., dominant corporations in manufacturing and resources! -- Web Ed..)

Basic to the Canadian state and its various branches is the need to balance contradictory requirements on the part of U.S. and Canadian capital. The outcome has been that some Canadian capitalists who 'fit' the demand of U.S. capitalists have benefited by Canada's distorted development and struck an unequal alliance, while others have been left by the wayside. While it is important for the state's legitimacy to project an appearance that this does not occur or that it is acting to prevent it, in the end state economic policies have followed the demands of the most powerful sectors of the society. This is not simply because the state is ideologically predisposed to do so but because the most powerful are those that can make things happen, get things done. They are the backbone of economic activity and thus crucial to the viability of any capitalist state

(Thus the author upholds Lenin's contention that the bourgeois State acts as the "executive committee" of the ruling class -- (Web Ed.)

One outcome of such practice is a highly concentrated economy, a fact which does not bother the state (except that it has to legitimate it — such as was done recently by the Royal Commission on Corporate Concentration, to be discussed in chapter 5). Part of the concentration in Canada is internally induced and some is imported, but as far as the state is concerned, it is in the concentrated areas that 'planning' can take place, both by articulating the demands of capital to the state and providing the state with an input into the economy, such as through the Bank of Canada. But in large part the autonomy of the state's input is an illusion. The state under these conditions has its input on terms dictated by private capital; that is, ventures it advocates must be made profitable. Consequently, capitalists must be induced or subsidized in their activities or have conditions provided that artificially make them competitive internationally, as in the case of the uranium cartel. **Under conditions of highly concentrated corporations as prevail in the key sectors of the Canadian economy, state policy is not acting upon an amorphous 'market.' Instead, a few dominant corporations, fully aware of their relationship to other dominant corporations, are directly involved in the state's plans**.

(I.e., 'dominant' US corporations as well as Canadian corporations are key factors -- and actors -- in the Canadian State apparatus -- in the corridors and committee-rooms, if not on the benches of Parliament, where non-corporate and potentially anti-corporate MPs are under strict party discipline, on pain of expulsion from caucus! -- Web Ed.)

It is quite apparent why the uneven development discussed earlier would lead to confusion on the part of the Canadian state in its performance of its accumulation function. Canada is an advanced industrial society whose mainstay is resources rather than manufactured products and whose industrial capacity is mainly foreign owned; it is a trading nation that sends over two-thirds of its exports to one country (the United States) and receives over two-thirds of its imports from that same country.

Resources, unlike manufacturing and finance, lend themselves to greater direct manipulation by state policies, particularly when they are in scarce supply. This is primarily because most resources are legally owned by provincial governments, thus allowing greater influence over their exploitation. In large part, however, actual control over these resources has been given over to capitalist firms. **Any government coming to power or making decisions does not begin with a *carte blanche.* It inherits earlier**

commitments and agreements, often ranging over very long time periods, and it inherits markets dominated by these same firms.

Corporations are not simply passive to government direction. Aside from attempts at political manipulation, they make investment and development decisions based un their assessed returns on investment and continued control over resources. If they perceive conditions as negative, they will invest their development funds elsewhere —whether in another province or even another country. Thus, unless a particular province possesses a near monopoly over a resource, even a fairly valuable one, corporate policies can inhibit, if not prevent, its development. This is particularly important when the industry is highly concentrated and controlled by multinational corporations, as in the petroleum industry.

(In the case of Alberta, US and other foreign-based multinationals have a virtual monopoly over bottom-of-the-barrel, toxic Canadian tar sands petrochemical resources, creating a major degree of resistance to their exploitation and shipment -- all the more reason for Norwegian-style state development respecting environmental and Native sovereignty as a priority -- Web Ed.)

With the state setting the price of oil and including what is referred to as 'a fair return to producers,' the multinationals are in an ideal capital position — a guaranteed, stable return on investment. This is ensured not only through the price of oil itself but through 'fiscal incentives' such as 'superdepletion allowances' and royalty deductibility schemes. The interest of the oil companies is in the bottom line — the long-term profit margin. Thus far the margin has been very sweet and the state has been instrumental in keeping it that way.

As both a recipient of and base for foreign investment, the Canadian state is forced to 'play both sides of the fence.' It must maintain the legitimacy of foreign investment, since it sanctions a good deal of it in the rest of the world under the guise of Canadian investment abroad, while at the same time it must contend at home with the massive problems foreign investment causes.

As a result, there is no clear focus for the Canadian state. It is a state of confusion, since it contains within it contradictory interests and forces. It consequently is weak in its ability to deal with basic economic problems: trade, inflation, unemployment, development strategies and so on.

(Up to this point the author's thesis has been less "contradictory interests and forces" --and justifiable so as he is not describing classes, so much as "conflicting" [inter-capitalist] interests and forces, which, up to this point, he has pointed out are being rather successfully resolved by Canadian and US "compradors." -- Web Ed.)

A recent example illustrates the point. The Canadian state was aware that the International Nickel Company (Inco) was about to expand its operations into Guatemala, regardless of what the Canadian state did. In response, it performed an illusion. It turned Inco into a Canadian company simply by changing its official classification. Suddenly there exists a 'Canadian' company that can operate in the world system and give Canada a presence. **A further indication of the irrationality* of the system is the fact that the Canadian state has exempted the company from normal taxation so that it can 'modernize' its Canadian operations, which means mechanization and automation, thus the elimination of jobs. In addition, the Canadian state provided a $78-million loan through the Export Development Corporation to Inco for its Guatemala operations. The net impact of such policies in Canada is the loss of about 4,000 jobs.**

(Surely social 'irrationality' only from truly "contradictory," i.e., working-class perspectives, but hardly from the capitalist state viewpoint -- the capitalist, 'comprador' necessary -- and painless -- 'rationalization' --Web Ed.)

Another example of state policy wrought with contradictions is the Foreign Investment Review Agency (FIRA). The agency was established as an instrument of legitimation in response to nationalist pressures, both broadly based and from small Canadian businesses. It was, however, soon turned on its head by the powerful forces in support of dominant capital. Provinces cried out that they cannot be cut off from foreign investment. Politicians ran around the world saying it did not really make any difference. ***And the agency itself became a conduit for foreign investment by providing services for***

foreign capital and giving their investments legitimacy. Claude Bennett, the Ontario minister of industry, said, "We'll show them that it's not difficult to get through it, and we'll simplify the processing of their applications" *[Maclean's,* 1 November 1976:40). Since October 1975, FIRA has approved over 80 per cent of the takeover bids, certainly not a record that would suggest any attempt to reduce foreign control. Indeed, the government has been bending over backwards to attract even more. In 1978 the federal and Ontario governments offered Ford Motor Company a subsidy of $75 million to build an engine plant in Ontario rather than Ohio, just one in a series of Subsidies to the 'big three' U.S. automakers, and not a dime toward building an indigenous automobile industry as exists in every other advanced industrial nation of the world.

In its rush to meet the increasing demands on its resources, the various branches of the Canadian state have found themselves running to the New York money markets. **The costs of building a resource infrastructure and maintaining the false economy of branch-plant industry are enormous.* In 1976 government borrowing was $8 billion, of which $3.5 billion was raised outside Canada. Compare this with the $7.6 billion borrowed by private business, only $400 million of which was raised outside** (see *Weekend Magazine,* 18 December 1976:4). ***Canada is being made capital poor because of the costs of foreign ownership and the demands being placed on its revenues. The Canadian state is now in a position where it must borrow to repay the interest on its loans***.** According to Garth Stevenson, "By 1973 interest charges on all provincial debts amounted to nearly $1.2 billion, substantially more than the total of *all* provincial expenditures in 1950" (1977: pp. 84-85). By 1977 all levels of government were making interest payments of $8.94 billion annually. Ottawa alone paid over $225 million in interest in 1977 on ***foreign*** loans (see *Globe and Mail, 7* April 1978:B1; 3 May 1978: pp.1-2). ***It is not possible for the state to continue indefinitely in its giveaways and concessions.***

(*The author provides no justification of the term "false economy of branch-plant industry" other than emotional, as his three volumes describe this economy as rooted in the history of Canadian capitalism -- Web Ed.)*

*(**The author here sounds the alarm to citizens of Canada on the necessity of nationalization of the country's resources without compensation as the bare necessity of survival -- Web Ed.****)***

The closeness of the capitalist class in Canada to the state makes it all the more difficult for the state to be autonomous. This is especially so when fractions of the capitalist class, at times in concert and at times in conflict, have very close relations with different branches and levels of the state (*see the following paper, Chapter 4 on this Web folder).* Since corporate power is political power, these interests become translated directly into contradictory state policies and behaviour. As the scope of these demands enlarge and call for increasing state action, the contradictions must become manifest.

Distortion in Canada's Class Formation

Most of the previous focus has been on the capitalist class and its various fractions, with only a few oblique references to the effect of uneven development on other classes. As with the state sector, it will only be possible here to sketch some ways uneven development has affected the class structure of Canada. The ffollowing should be regarded as a very preliminary outline, which subsequent papers begin to elaborate.

It was illustrated earlier that there is an unequal distribution of manufacturing capacity in Canada, with the industrial heartland residing in the golden triangle. Outside this area most productive workers are part of a 'resource proletariat' whose jobs are in activities like mining, minerals, pulp and paper, lumber, fishing or hydro, They tend to live in single-industry towns far from major urban centres, and their costs of living are high. Most important, they tend to work with non-renewable (or poorly managed) resources, and their livelihood is constantly threatened by exhaustion of these resources or fluctuations in world markets. **Boom-bust cycles for Canada's resource proletariat are legion; there are constant fluctuations between labour shortages and labour surpluses in these industries because their fate depends so heavily on external demands**.

Traditionally, many people working in staple industries were independent commodity producers. In fact, up to the Second World War, the petite bourgeoisie was the most powerful class outside the capitalist

class and accounted for much of the political resistance to the dominant class. Increasingly they have been drawn into wage labour. In 1957, 79 per cent of the labour force were paid workers, and by 1976 this increased to 89 per cent, while the proportion working for themselves decreased from 12 per cent to 5 per cent. In numerical terms, this means an increase over ten years from 4,540,000 paid workers to 8,272,000 and a decrease of the self-employed with no employees from 667,000 to 512,000. It is important to note, however, that the decline of the traditional petite bourgeoisie of fishermen, farmers and small shopkeepers has not meant a proportionate increase in the traditional industrial working class. What has occurred instead, as will be argued shortly, is a dramatic rise in the number of state workers, thus resulting in a situation where a major part of the working class is employed by various branches of the state. ***It is from this new set of state workers that much of the militancy in the post-Second World War era has emanated and where much of the growth in unionization (particularly national or Canadian unions) has taken place. The militancy is particularly evident here because it is these employees' wage demands that the state can best control, and under periods of restraint the state attempts to hold down their wages***.

(...)

...**the overall decline in the sphere of production and rise in the sphere of circulation is partially reflective of the changes in the sexual composition of the labour force. Between 1931 and 1971 the proportion of women has risen by 346 per cent, while men only increased by 74 per cent (...)** women have dominated and continue to dominate the commercial proletariat, while they are virtually absent from the resource proletariat.

(...)

Because of the increasing pressure for legitimation of the state with the myriad of contradictions it must face, the state has grown to meet these demands. **In addition, growing foreign investment since the Second World War has been highly capital intensive and concentrated, about four and a half times the size of Canadian non-financial corporations in terms of assets and over six times as large by equity and profits, thus requiring much less labour**. **Moreover, much of the value added in these industries occurs outside Canada, thus employing fewer people than would be the case if the manufacturing were done here. Consequently, the Canadian state is forced into a position of employing a larger share of the labour force and dealing with inordinantly high unemployment.**

Alongside this is the general growth in the number of clerical workers. This is the result of two types of changes, those within factory offices and those through the growth of 'clerical industries.' The first process is reflected in the following figures for Canada: the proportion of administrative and office workers in Canadian manufacturing increased from 11 per cent in 1917 to 19 per cent in 1939 to 22 per cent in 1954 and 28 per cent in 1971. The second is the rise of 'paper empires,' such as companies in the commercial sector (banks, trust companies, life insurance, real estate, etc.), which are primarily clerical, and to some extent sales, in their work. Their main activity involves accounts, stocks, payrolls and so on.

The decline of the primary sector is not an uncommon phenomenon in industrialized nations. Typically, as suggested earlier, it results in a rise in the secondary sector and only much later an expansion of the tertiary sector. In Canada the decline in the primary sector is matched by a rise in the tertiary sector and a steady proportion in the secondary sector. Most of the change in the primary sector involves agricultural jobs. This is a result of the increasing mechanization and capitalization of farms. **A large part of the demise of farmers is also accounted for by state policies regarding tariffs and the fact that processors of agricultural products have become highly concentrated and have fallen into the hands of U.S. capitalists who command the world markets** (...) Almost the entire shift, in aggregate terms, has gone to 'white-collar' jobs, especially clerical, sales, and lower-level technical and professional occupations.

Another factor of importance is the weakness of Canada in terms of research and development, with much of it taking place under the command of parent corporations outside of Canada. Of related concern is the exporting of resources and importing of processed goods, which means that labour and skill-intensive jobs are also exported. As the studies by Pierre Bourgault have shown, "When we examine the nature of our imports and exports, we find that we export mainly raw materials and resource-based products while importing most manufactured goods, particularly those which have a high knowledge content," that is, those jobs involving advanced technology and skilled labour (1972:82). Little wonder Canada's employment rate runs at about 10 per cent *officially* — over a million people. ***Canada's***

uneven development affects not only the distribution of the labour force but also the number of jobs in the labour force itself. Even the rapid increase in state employment has not been able to meet the demand for jobs caused by the capital-intensive foreign control of Canada's productive sector and the decline of the traditional petite bourgeoisie.

The ability of Canadian labour to exercise its power is also strongly affected by the uneven development of the economy and the development of multinational corporations. **The Canadian labour movement is highly fragmented, with divisions between national and international unions, between trade, industrial and public unions, between French- and English-speaking unions, and between organized and unorganized workers.** Added to this is the flexibility capitalists have in dealing with labour as they become multinational in their operations. The recent layoffs in the mining and automotive industries reflect their ability to shift production outside the country and weaken the power of Canadian labour. An illustration that this is not unique to foreign-controlled multinationals is provided by Massey-Ferguson, a part of the Argus holdings. In 1968 Canadian workers at Massey-Ferguson were demanding wage parity with their U.S. counterparts in the same company. Massey-Ferguson threatened to withdraw its operations from Canada. Their threat was successful, resulting in a strike settlement without parity. Massey-Ferguson applied the same threat to the Canadian government over recommendations from the Carter Commission on Tax Reform and was successful in having the recommendations rejected.

The vulnerability of Canadian labour to the flexibility of multinational corporations and to the vagaries of a resource-based economy means that the working class must be constantly on guard for its jobs and standard of living*. It is no longer possible, on a large scale, to escape wage labour by 'striking out on your own.' The traditional areas of small business, such as shopkeepers and farmers, have been thoroughly penetrated by capitalism. The capital requirements to enter either now pose an insurmountable barrier for virtually all workers, who must accumulate from deferred consumption (that is, out of personal savings). Those who escape wage labour do so mainly by entering into contractual relations with large corporations to manage concessions or chains in the fast food business or corner stores. There they have little more control over their lives than they did as wage labourers because the corporation sets the rules and regulations by which they must abide and shifts much of the risk onto the individual running the franchise.

(*The author raises here the necessity of independent labor political action, of which the NDP is a singular example in North America, with a program of demands for repatriation of resources under public ownership and under a regime of workers' control -- Web Ed.)*

It has not been possible in the space of this paper to develop a detailed analysis of transformations in Canada's class structure as affected by uneven development. The purpose has rather been to suggest that there are important implications of uneven development, not only for the capitalist class and the Canadian state, but also for the kind of work available for people in this country. The experiences of inflation, layoffs, unemployment and rising state expenditures are directly related to the kind of economy Canada has and to its relationship with broader continental and world forces.

Conclusion

Canada cannot be characterized as an independent capitalist society; nor can it be grouped with the various periphery nations often called the 'Third World' although it shares some features with each. Rather, Canada is a politically independent nation state, enveloped by the economic spill-over of the most powerful capitalist society in the world. While Canada's economy is largely controlled and shaped by U.S. economic power centres, these external centres do not operate in a complete power vacuum in Canada. **What has been forged over the past century is an unequal alliance between the leading elements of Canadian and U.S. capital, which mutually reinforces the power and advantage of each. The leading forces of capitalism in both Canada and the United States benefit by this alliance, while smaller Canadian capitalists and the Canadian populace experience its costs.**

(The term 'junior partner' used to describe the relationship of Canadian capital to the US capitalist behemoth used by the Trotskyist left in this period accurately reflected the scale of 'uneveness" declaimed by the author as well as their exploitative alliance -- see the extensive documentation on this debate in W2

of this website.

Not all Canadian capitalists are pleased with this continental power structure, particularly smaller capitalists in vulnerable manufacturing and trade activities, but the state in general and dominant capitalists in particular have been unable to see beyond their immediate economic gains arising from this method of 'nation building' and surplus extraction. **Over the past century, the two economies have become so intertwined because of these dominant continental interests that it becomes difficult for many capitalists and members of Canada's ruling class to visualize the two economies apart from one another.** Thus, the resource and market demands by U.S. capitalists and the internal opportunism of Canada's ruling class have created a continental political economy wherein U.S. capitalists dominate but some Canadian capitalists also benefit.

Although most of the means of production are foreign controlled in Canada, the relations of production remain capitalist. ***Ultimately, however, from the perspective of the metropolitan capitalist class, the interests of Canadian workers are secondary to even those in the United States. Canadian workers are often engaged in resource extraction and subject to the booms and busts of this industry, while many others are employed in manufacturing branch plants where the employment priorities are U.S. oriented. Canadian workers are particularly vulnerable, a fact which is reflected in the million unemployed and 10 per cent official unemployment rate***. Capital is more mobile than labour, particularly with active state controls on the migration of labour, thus leaving labour especially vulnerable to shifts of capital both within the nation or internationally. ***A fragmented labour movement adds to the weakness of the Canadian workers, all the more so since it is dominated by international unions, which are subject to pressures and interests emanating from the United States***.

(Since the 1980s, in addition to the fact that the Canadian union movement had shifted to fewer and larger units, it must be noted that it is the issue of Canadian local autonomy within "international" unions that is uppermost in fighting international corporations, whether this struggle leads to separate Canadian unions or not -- the 1980's break of the autoworkers' CAW from the UAW being a case in point -- Web Ed.)

It is not only the Canadian working class that is vulnerable. The Canadian state is also within a relatively dependent position within the system of U.S. hegemony. This is reflected in its international political and military role as 'mediator' between the interests of the United States and other nations. Internally, various branches and levels of the Canadian state struggle over foreign investment, further weakening and fragmenting resistance to domination. ***Self-determination for the people of Canada will necessarily mean resistance to foreign domination AND*** *(emphasis by the author)* ***the dominant fraction of the Canadian ruling class, which has mediated this dependence within the world system***

(End Chapter 3)

(Comment by the Web Ed.:

The case histories of Gordon and other bourgeois figures of the Canadian "nationalist" capitalist elite prove their impotence and ultimate acceptance of their 'junior partner' status vis-a-vis US capital -- and acceptance of its imperialist policies in return for a reduced but sufficient share of the spoils. Genuine economic and political 'self-determination' for Canadian workers – advocated by the author – can only BEGIN with a much-heightened degree of state control of the resources and productive wealth of this country – or can enable its citizens to greatly raise their standard of living, end all child poverty, emancipate our Natives, above all by mobilizing Canadian opinion, ratchet up Canada's role to becoming a major anti-war actor on the international stage, etc.-- Web Ed.)

1. Some further references *by the Web Ed.:*

Whereas in his first works of 1975 and 1977, Clements uses the terms "comprador" and "parasitic" scientifically, as Marx had and would have, to describe Canadian and US imperialism and its agents, in this 1983 work, these terms have largely disappeared without explanation (although their use was never earlier explained politically). Note also that the nationalist argumentation of his earlier works had diminished to the point that in the 1998 book "The Vertical Mosaic Revisited," *his assessment of John Porter's 1965 classic contained only one short passing reference to foreign ownership of the Canadian*

economy in his 26-page essay, and omitted entirely any complicity of the Canadian banking or other role in the overwhelming US takeover -- his central thesis of the 1970s!
Without any attempt to "update" Porter -- which surely could have been salutary to his memory and foresight -- Clement writes only (page 36):

(...) “After all these years, I continue to be motivated by the thinking of John Porter and have enormous respect for the contribution he made to Canadian scholarship and, in particular, to my own intellectual development. But times change.

“In all the key areas of Canadian society there have been major developments since the publication of *The Vertical Mosaic.* Notable has been the rise of foreign ownership in the Canadian economy, its continentalization, and the internationalization of production. Canada and its capital are now intertwined with U.S. capitalists, the dominant fraction of which has gained hegemony over a continental trade bloc which now also includes Mexico. Regionalism, always an element of Canadian society, has taken on expanded importance. Fostered in no small part by demands for nationhood emanating from Quebec, and the concessions to all provinces by federal politicians seeking to placate the demands for decentralization, regionalism has intensified. Porter actively supported increased federal powers as a way to promote more universalistic, national goals rather than the more particularistic goals of the provinces, although he did support the distinctiveness of Quebec.

“Part of the diminished role for the federal state has been motivated by its desire to reduce state expenditures, an initiative Porter would have fought. This not only undercuts the idea of national standards and provision of fundamental social entitlements, but it also reduces the number of good jobs in the state sector where women have made some inroads in recent times. The structure of power under the promotion of the so-called market enhances private and particularistic interests over public and universalistic ones. Such actions promote further opening of Canada to the agenda of U.S. neo-liberal interests which have captured the hearts and minds of many Canadian politicians and the pocketbooks of many business interests.” (...)

2. Further references *by the Web Ed.:*
In his article "Farmers pay the price of dismantling the Wheat Board: Grains, trains and autocrats,” Dean Harder writes: CCPA Monitor, p. 27, May 2014: *"In the past, farmers could expect to get 85% of the pie for their grain. Today that share has been as low as 45%" (www.policyalternatives.ca)*
See also: “Agriculture: Wheat Board deal with U.S., Saudi group ends an era -- The deal's value falls short of the $344-million threshold in the Investment Review Act," Toronto Globe and Mail, *April 16, 2015.*
*Further: CCPA articles on Norway: April 2008: "**Alberta and Norway"** (editorial); Nov. 1, 2012: "**A Tale of Two Petro-States: Norway manages its oil wealth much better than Canada does"** (Pt.1), by Bruce Campell; Jan. 17, 2013: "**Canada vs. Norway: The Petro Path Not Taken,"** by Bruce Campbell*

Table 3.1

Canadian Minerals and the United States

(1970-73 average)

Commodity	Canadian Exports to U.S. as % of Canadian Production	Imports from Canada as % of U.S. Imports	Imports from Canada as % of U.S. Consumption
Asbestos	41	97	87
Nickel	46	63	57
Potash	71	95	57
Gypsum	74	77	29
Zinc	34	55	24
Iron ore	46	51	16
Silver	71	52	52
Sulphur	23	72	9
Lead	24	31	16
Copper	21	37	7

Source: Canada, Department of Energy, Mines and Resources, *Mineral Industry Trends and Economic Opportunities* (Ottawa, 1976), p. 21.

Table 3.2

Canada's International Indebtedness, 1926-77

($ billions)

	Assets	Liabilities	Total Indebtedness	Indebtedness to the U.S.
1926	1.3	6.4	5.1	2.8
1930	1.5	8.0	6.5	4.0
1939	1.9	7.4	5.5	3.6
1945	4.0	8.2	4.2	4.4
1950	5.9	10.2	4.5	5.9
1955	7.1	15.2	8.0	8.7
1960	8.9	25.6	16.6	14.3
1965	12.9	35.6	22.4	20.2
1970	23.9	52.1	28.2	28.9
1976	47.5	96.0	48.5	41.5
1977	52.5	106.0	53.5	—

Sources: Statistics Canada, *Canada's International Investment Position*, various issues (Ottawa, 1926-67, 1968-70, 1971-73 and 1974); *Globe and Mail*, 7 April 1978:B1.

Table 3.3

Canadian Portfolio Holdings of United States Corporation Stocks, 1972

($ millions)

Size of Canadian Holding	Number of U.S. Corporations	Book Value $M	Book Value %	Market Value $M	Market Value %
Over $10m.	43	1,036	42	2,139	40
$5-$10m.	39	281	11	661	12
$1-$5m.	267	671	27	1,468	27
Below $1m.	1,123	339	13	860	16
Not classified		169	7	239	5
Total		2,487	100	5,367	100

Source: Calculated from Statistics Canada, *Canada's International Investment Position, 1974* (Ottawa, February 1978), p. 26.

Table 3.4

Continental Investment Patterns, 1969-74

($ millions)

	Canadian Receipts from United States			Canadian Payments to United States			Payments over Receipts
	Direct	Portfolio	Total	Direct	Portfolio	Total	
1969	62	198	260	514	629	1,143	883
1972	66	319	385	605	818	1,423	1,038
1974	116	417	533	1,058	956	2,014	1,481

Source: Calculated from Statistics Canada, *Canada's International Investment Position, 1974* (Ottawa, February 1978), p. 45

Table 3.5

'Canadian' Direct Investment Abroad, 1974

($ millions)

Area of Investment	Canadian Controlled	Go-Between	Total
North America	4,593	1,205	5,798
South and Central America	1,061	14	1,075
Europe	1,409	210	1,619
Africa	43	98	141
Asia	195	44	239
Australasia	185	249	435
Total	7,487	1,820	9,307

Source: Statistics Canada, *Canada's International Investment Position, 1974* (Ottawa, February 1978), p. 54.

Madness and Ruin: *Politics and the Economy in the Neoconservative Age* (1992)
by Mel Watkins

(…) Part II
The Perils of Free Trade

(All emphasis by the Web Ed.)

excerpts--pp80-82)
(...) ... International trade theory, Keynesianism, and common sense all tell us that there are no guarantees about where jobs will be located under free trade. Nor can we say how gains will end up being distributed. From the persistence of regional disparities within countries, it is evident that a free-trade area is not a universal panacea. From the Canadian experience, it looks like sectoral arrangements fare better, but they are not without problems. Political scientist Stephen Clarkson says in his excellent book *Canada and the Reagan Challenge:*
["] The sectors of Canadian industry that have experienced modified forms of free trade -- automobiles, defence production, farm equipment -- have not produced economic salvation. They have generated technologically dependent, managerially backward and economically weak industries that provide a cautionary rather than exemplary experience.["]

Clarkson also fears that Canada will remain a staples exporter: "There is little evidence . . . that the United States would want to establish a free-trade zone with Canada on any basis other than as a resource satellite."

There is, as well, the vexing issue of foreign ownership -- with which Canada is uniquely endowed -- and how it influences the distribution of those mutual gains. If the tariff facilitated foreign ownership, what would happen under free trade? Would foreign ownership fall, and if it fell what would replace it and what would happen to jobs? Under free trade, would Canada have to treat foreign capital better so that it would stay? Could Canada have any policy towards foreign ownership at all given U.S. tendencies to define such policies as protectionist? Canada unilaterally gutted an already weak Foreign Investment Review Agency (FIRA) and renamed it Investment Canada, the better to pave the way towards trade negotiations with the United States.

We know a good deal about the behaviour of foreign subsidiaries in Canada, about their exports and imports, and how they have worked to inhibit industrialization. Statistics Canada data show the high propensity of foreign subsidiaries to import from parent companies, and government archives document the long history of export-blocking by parent companies. How would free trade, particularly when preceded by the weakening of any policy towards foreign ownership, remove these structural deficiencies?

The ultimate point of reckoning for these economic effects is to link them with political effects -- with the effects on sovereignty, specifically the capacity to formulate policy and give it effect.

The widely held perception in Canada is that free trade with the United States would lessen an already limited Canadian autonomy. Even people who expect economic benefits fear political costs. If there are political costs, can there be any economic benefits? We are always told that free trade will create winners and losers, but surely no government could sit back casually and watch that game, doing nothing no matter what the outcome.* *(* I grievously underestimated the willingness of*

the *(Conservative – ed.)* ***Mulroney government to do just that.)*** Any government that did would soon be a loser itself. Winners emerge out of a creative interface between business and government. In practice, that means positive government policy.

The risk is the so-called harmonization of the policies of Canada and the United States; specifically, the tendency of Canadian policy to ape U.S. policy, if not *de jure* then *de facto,* because of pressures to keep jobs on the Canadian side of the border. Robert White, as the Canadian director of the United Autoworkers, told the National Economic Conference in Ottawa in March 1985:

["] A policy [of free trade and economic integration with the United States] would mean that whenever Canada attempts to pursue different social priorities or our own industrial strategy, we would be warned that either such a policy would leave us less competitive (for example, if we wanted to increase layoff protection) or that it would be viewed as an "unfair" subsidy to make us more competitive (for example, an attempt to attract investment to Quebec or the Maritimes).["] *(Brackets in original – Ed.)*

The federal New Democratic Party had issued a similar warning a month earlier:

["]The requirements of free trade between the two nations would mean a number of concessions from Canada. For example, if our tax rates were higher than those levied on corporations in the U.S., we would be pressured to cut them in order not to penalize companies operating in Canada: ***where our environmental safeguards were more stringent we would be pressured to lower them to prevent Canadian producers from operating at a competitive disadvantage; where our wages were higher, as they are in some industries and regions compared to those in the southern U.S., we would be under pressure to cut them; and obviously we would be under considerable pressure to do away with FIRA****.["]*

The NDP concluded: "Such pressures would mean the end to Canadian sovereignty in crucial areas of policy. By pushing for free trade and further economic integration we invite political integration." We can observe in British Columbia how these kinds of policies, pursued in the name of international competitiveness, have had disastrous consequences for the economy.

Canada has a distinctive political culture that has withstood deepening economic integration with the United States, but there are limits. Would an already timid foreign policy become totally sycophantic of U.S. policy -- on Central America, on Star Wars? Some people argue that a free-trade area would tie U.S. hands in the face of Canadian actions and thereby free Canada to become more independent. I doubt that anyone can tie the United States' hands and, in any event, I fear that Canadians would become even less willing to try to be different.

What Canada needs to "secure and enhance" trade is a market for domestic producers. We need to move not along U.S. lines to deregulation and more ad hoc methods and Pentagon-style job creation, but along an indigenous path to a comprehensive industrial policy and conscious economic planning.

[August-September 1985]

(excerpt p87)
(...)

Bear in mind that, as one looks around the world, prosperity and success are more likely to be associated WITH such policies than with their absence. Consider Japan, the leading example of a strong economy today: among capitalist countries Japan is notorious for the active role of its government, using industrial policy not to pick winners but to actually them. (We're always being told that governments can't pick winners, with the implication that this means they shouldn't do anything.) **As for the United States, though it preaches laissez-faire from the White House, it practises a hands-on**

industrial policy from the Pentagon; such policy will survive free trade -- and could, by default, insinuate itself into an industrialized militarism in Canada.

(…) Add Canadian culture to the list of endangered species under bilateral free trade. For the Canadian cultural industries, more so than for any other activities, the issue is not access to the U.S. market but access to our own market in the face of the flood of American culture. State policy in Canada has long been directed to putting fingers in the dyke and trying to shore up our defences by Canadian content regulations, by blocking foreign ownership, by public subsidy and public ownership -- in short, more of those unfair trade practices that will have to go.

Joe Clark *(previous Conservative leader – ed.)* **has noted, sagely, that what we call culture the Americans call entertainment, and we all know that when they say entertainment they mean business. Free trade is about being open for business, and about the United States wanting unlimited rights to set up branch plants in areas such as book publishing and film distribution.** *(Columnist)* **Mavor Moore put the issue graphically in** *The Globe and Mail* **a while back: one country's gravy is another country's blood.**

There is abundant evidence that most Canadians would like, when they read a book or watch TV, to be able to tell, at least now and then, what country they are in. We will be even less able to do this under free trade than we are now. **Mulroney can say as often as he wants that our cultural integrity will not be on the negotiating table, but our cultural industries will be, and we have much to lose and virtually nothing to gain here.**

(...) Everything adds up to the fact that free trade means free reign for the market. That's why big business likes free trade and why the rest of us are entitled to be deeply suspicious, even downright opposed.

(excerpts pp. 101-103)

SLEEPING WITH THE GIANT (...)

No matter what we do, the U.S. economy, and with it the world economy, may go belly up. A possibility that looks more like a probability since the stock market crash on Black Monday, October 19, 1987. In such an event, there will be little we can do to limit the damage with or without a free-trade deal, and even less we can do by way of economic and social policy to help ourselves with one. It also poses the stark question of why we should want to tie ourselves yet more closely to a U.S. economy of such dubious prospects.

Put it all together, and what it says is that we risk signing an agreement that will lock us in from here to eternity in order to dispose of a problem that is either (the nice scenario) disposing of itself or (the bad scenario) going to get all of us anyway. **Make no mistake, sign this agreement, take this giant step down the road, and there is little or no likelihood of ever going back even if, as may very well happen, the economic benefits for Canada turn out to be elusive. The reason is that the economy in general and the patterns of trade in particular will get radically recast in ways that will be extraordinarily difficult to unravel. Once businesses in both countries have made investment decisions on the basis of a free-trade arrangement, imagine the howl that would go up from them and the threats that they would make if we then tried significantly to alter the rules. Count as well on the U.S. government in such circumstances to play its favourite trump card, called "no retroactivity," by which it brands as unfair any changes that it does not like that harm an investment after it is made.**

I saw a *Globe and Mail* editorial that hailed the free-trade agreement for being "in the spirit of the auto pact." The implication is: look at all the benefits we got from the pact, now we are going to get them across the board. **It is indeed the case that the auto pact has worked to the benefit of Canada in creating jobs: without it, Ontario would be as depressed as most of the other provinces already are. That is important, and I do not intend to dismiss it. But there are three very big buts.**

First, the signing of the pact in 1965 was as much a defeat as a victory in what is signified for Canada's economic and political development. It meant accepting, indeed entrenching, the foreign control and branch-plant character of the auto industry. It made the industry more efficient, but at the cost of giving up once and for all on having a Canadian car produced by Canadians -- a large failure for any twentieth-century industrialized country. It was the leading indicator of Canada's special status within the American empire and of the political constraints that implied.

It is a sign of the times, of the steady advance of continentalism, that twenty years later nationalists are compelled to go all out in defence of the Pact. ***Ironically (this is, really, the only good news), an unexpected consequence of the tighter continental corporate integration was the disintegration of the international (read continental) union and the emergence of the Canadian Auto Workers, first to protect Canadian autoworkers and then to take a leading role in the fight against free trade. That may well turn out to be of great importance if this slide into continentalism is to be brought to a halt.***

Second/the pact has by no means always worked disproportionately to benefit Canada. For much of its history it did not, and there was deep concern that we had struck a bad bargain. What has made the difference is the depreciated Canadian dollar -- and we can never be certain how long that will last, particularly as the U.S. dollar continues to fall freely against the respected currencies of the world. To extrapolate the recent benefits under the pact indefinitely into the future would be a grave error.

Third, while the auto pact is now working well enough that the safeguards guaranteeing Canada production and jobs are not required, this again has not always been the case and presumably will not always be the case in the future either. To imply that the comprehensive agreement will be the pact writ large (as *The Globe and Mail* does) is misleading and irresponsible, because there are no safeguards whatever in what we are agreeing to now. If it works, fine, if it doesn't, too bad.

Even worse, to get this comprehensive deal without safeguards we gutted the safeguards in the pact, thereby reducing the likelihood of its continuing to work to our benefit. That sounds more like the ghost of the auto pact. There may also be a message here about what happens to agreements with the United States when it decides it is getting the short end of the stick.

We all know by now that we can't kid ourselves any more that this Canada-U.S. [*Auto*] pact is somehow going to self-destruct or that it is something we can live with. We've gone a long way down the road already to economic integration with the United States, and Canada has hung in, though from where I sit over here it is getting increasingly hard to see it as separate from the United States. But there is a limit, and this is it.

This** [Auto Pact] **deal is manifestly the means by which neoconservatism, that vile disorder of our times, gets finally to triumph in Canada. Politicians have had slight success selling its virtues up front, directly to Canadians, on matters of domestic policy -- slight, that is, compared to what has been done in the United States or Britain. Instead it is being snuck in the back door to do the dirty work of smelling up the house and rotting the foundations. This damnable deal should be stopped dead.

[December 1987/January 1988]

(excerpt pp.106-109)
(...)

This is where we must once again appeal for the help of Harold Innis and his theory of the staples economy, whereby Canada exports resources to more developed economies and has great difficulty extricating itself from that trap. So today, THE characteristic feature of the Canadian economy, as advanced industrialized economies go, is its heavy -- indeed, excessive -- reliance on exports of resources, often in surprisingly unprocessed form. This reliance creates a large trade surplus which has to be offset by large trade deficits (imports greater than exports) somewhere else. In practice, that means a large -- and ever growing -- deficit in imports of more highly manufactured goods (autos excepted, thanks to the auto pact). It also means a considerable deficit in services.

Resources are our strong sector, manufacturing and services our weak sectors. Free trade, if it enables us to expand at all, can be expected to increase, and exacerbate, the staples-bias of our economy and make us less credible in manufacturing and services. This is not what the government is telling us. It is not what my orthodox colleagues are 'fessing up to. But it is what an Innisian would have said without bothering to go through all this convoluted argument. It is also bad news for workers, since resource-production employs fewer and fewer people per unit of output. It is manufacturing and, above all, services where there are jobs, but these are areas where we will rely more on imports on net.

Worse, there is no reason to expect that the particular trade deal we have struck will enable us to export more resources to the United States in the foreseeable future. By and large, there are already no U.S. tariffs inhibiting Canadian exports, and it is now widely understood that the United States won't be deterred by the toothless binational disputes-resolution mechanism from blocking increases in imports of Canadian resources when they threaten to damage U.S. producers.

We could very well find that we do not manage to export more resources to the United States, but are made to import more goods and services from it. **Indeed, given that the Americans have that big trade deficit that has to shrink, and that Canada has the second-largest trade surplus with them (following only Japan), which would likewise have to shrink, this looks like the most probable scenario. Sadly, what also shrinks are jobs for Canadians.**

One might even guess that this is precisely what the Americans had in mind when they offered us free-trade-in-everything and we imagined they were doing us a favour. Meanwhile, the Canadian dollar, being unable to fall as fast as the U.S. dollar, appreciates -- which already makes it harder for us to export to the Americans and easier to import from them. The political costs are certain. The economic benefits are dubious -- more likely negative than positive. At best, they are slight.

***Y*ou don't have to take my word for that last sentence, because in January 1988 the Department of Finance released a study that admitted as much. It showed that the long-run, permanent benefit to Canadians is nothing like the 8 to 10 per cent increase in income that some economists have claimed, but a mere 2.5 per cent -- not annually, but for all time. This is the same as the amount of growth that took place in Canada from January to May 1987. For this we are prepared to turn our world upside down?**

As for jobs, the Economic Council of Canada promised us 350,000 thereof, and Mulroney trumpeted this number across the country. Now, we are told, the number has dwindled to 120,000 over five years -- or about 25,000 jobs more a year at a time when the economy is already creating in the order of 300,000 jobs a year. If we don't sign the deal -- which the Conservatives regard as the doomsday scenario -- the clever economists at Finance say this failure will cost us a crippling 15,000 jobs a year.

It is almost enough to make me take economics seriously again -- except that the numbers are still too high. **Since we didn't really get better access to the U.S. market for our exports, like resources, while they really did get better access to our markets for manufactures and services, we can expect, on net, that imports to Canada will rise more than exports, and this means fewer jobs and less income.**

The kind of people who support free trade are also the kind of people who are always telling us that there is no such thing as a free lunch or a free ride or a free love. The rest of us know that there is no such thing as a free market or a free enterprise or a free press -- to say nothing of a free world. So why should any of us believe in a free trade?

For instance, the Americans got unlimited access to our energy on their terms. We get the right to have Canadians sit on a binational panel to decide whether their law clobbers us fairly or unfairly. I heard John Crispo or Richard Lipsey or one of those people say that other countries would give an arm and a leg to get from the Americans what we got in this deal. The proper reply to that is that we did give an arm and a leg. **We also gave the Americans the right to keep chopping away at other parts for a further period of five to seven years, while the two parties try to "harmonize" policies - industrial, regional, what have you.* Harmonizing may sound like a happy process, but what it means in fact is that Canadian and U.S. policies have to be aligned. Those of us who have been suspicious of how Canada would fare in such an exercise should be indebted to our governments for their candour. The agreement itself frankly states, in its glossary of terms, "harmonization means making identical."**

(*The NAFTA announced in August 1992 [that it] calls off the subsidy code regulations -- which is good given the Canadian propensity to get taken to the cleaners, except that it means that those unfair American trade practices are now indefinitely in place.

Now, given the size and the clout of the United States, do you think it is their policy that will be made identical to the Canadian, or vice-versa? One guess. So let's be even franker: "harmonize means Americanize." We do, after all, risk gaining the Rambo, dog-eat-dog society that the neoconservatives want and decent folk don't.

When you look at who in Canada is for and who is against free trade, if you are an opponent you are compelled to thank God for Ontario (which is hard enough for some Canadians) and thank God for the Liberal Party of Canada (which is very hard for me). For if either the government of Ontario or the federal Liberals supported free trade, the ballgame would be over already and the wrong side would have won. Yet anyone on the left could build a convincing case, based on the notorious influence of big business, to explain why both of these entities ought to be on the pro side.

The fact that they aren't I take as evidence of the reality of a centre in Canadian politics (unlike Britain, where the right and left duel and the right wins). Free trade can be stopped by a centre-left coalition and not otherwise. The heartening point of all this is that just such a coalition of popular forces does exist in the Pro-Canada Network. And if you think I'm too trusting of the Ontario and federal Liberals, the answer is that the Pro-Canada Network is also the instrument to try to keep them honest.

Would that one could include Quebec on the list of things for which to be thankful! If the Quebec government opposed the deal, it would be Mulroney who would already have lost. Instead, Quebec opted out of Central Canada and joined the hinterlands. Both Premier Robert Bourassa and the emerging leader of the opposition Parti Québécois, Jacques Parizeau, are hot advocates of free trade. Both are also economists, which some may think a sufficient explanation.

Bourassa waffled and came down on the wrong side, choosing resource sales to the United States (today hydro-electricity; tomorrow water?) over protecting industry and services. Parizeau says

that if he were an Ontarian, he would oppose free trade with the United States because he would know that his culture would be swamped by the Americans and that he would lose his job as the U.S. branch plants pulled out. But, in his view, Quebec's culture is sufficiently protected from the American by language, and Quebec doesn't have the branch plants to lose. He also has an agenda that sees free trade with the United States as a way of weakening Quebec's ties with the rest of Canada, thereby facilitating Quebec's independence.

I admit this kind of talk gets to me -- but I risk premature despair. For there exists within Quebec -- as in Ontario, Manitoba, and other provinces --a coalition of popular groups, spearheaded by the unions. In Quebec this includes lots of people who probably voted yes in the 1980 referendum, and may do so again in the future if given the chance, but who in the here and now say a resounding no to free trade with the United States.

March-April 1988]

(excerpt p. 119)

The Break-Up of Canada

(…)

Writing in the 1930s, Harold Innis was already able to make the link between economic integration with the United States and balkanization: "The extension of the American empire, the decline of its natural resources, and the emergence of metropolitan areas supported capitalist expansion in Canada and reinforced the trend of regionalization." In 1948, with U.S. hegemony rampant, Innis added "The change from British imperialism to American imperialism has been accompanied by friction and a vast realignment of the Canadian system." *(The 49th parallel had become, in effect, the new 'open frontier" -- Web Ed.)*

The tendency towards Canadian political disintegration in the face of North American economic integration has been a persistent theme in Canadian writing, with Innis being echoed by Donald Creighton, Kari Levitt, Paul Phillips, and Garth Stevenson. Mary Beth Montcalm specifically analysed the FTA in these terms and worried about the consequences. The preeminent scholar of federalism, the late Donald Smiley, asserted during the free-trade debate that the FTA risked compromising Canada's nationhood.

These warnings, however, seemed to be the concern of only a few intellectuals, and not a matter of wider political apprehension. Their voices were easily drowned out by the massed choir of orthodox economists, whose paradigm is utterly unable to fathom the political. The Pollyannaish pronouncements of the Macdonald Commission on national unity and continental integration -- which likewise reflect the excessive influence of economists -- look absurdly wide of the mark. They would be laughable were it not that the consequences are not amusing.

Nor is the link between wider economic integration and political fragmentation a parochial phenomenon peculiar to Canada. It has long been understood that multinational corporations, as leading institutions of global economic integration, compromise national sovereignty and render governments less effectual and national policies less relevant. Nicos Poulantzas, James Petras, and Tom Nairn are among the most eminent of the political economists who have written to that effect.

Just as the economic effects of the FTA have been hard to identify in the midst of the pervasive and adverse effects of high interest rates and an overvalued dollar, so too have the political effects been swamped by the ramifications of the failure of Meech Lake: the increasing separatism of Quebec, the posturing of anglophone premiers such as Grant Devine and Bill Vander Zalm (who swore to their great love of Canada in the dying days of Meech and later demanded whatever additional powers Quebec secures), and the growing power of regionally based parties in federal politics. The split over both free

trade and Meech Lake was binational, but the English-Canadian nation, lacking an institutional form, may nevertheless fragment into regions.

(...)

Is There Anything Left to Say about the FTA?

(pp. 124-126)

(...) Unlike orthodox economics, political economy has a sense of history, an understanding of how even in the longest of runs things that look good in the abstract don't always actually work out for the good. A case in point is David Ricardo's classical theorizing about the Law of Comparative Advantage and the mutual benefits from trade, about two countries, England and Portugal, trading two commodities, cloth and wine. Two centuries later, it is clear which country benefited most from that exchange. Or consider the fate of the Maritimes within Canada as a common market. **Maritimers thought their manufacturing would flourish; orthodoxy says it should have, but it didn't. How do we know that Ontario won't now -- isn't now --experiencing the same fate within North America? Political economy tells us that whole regions and countries can underdevelop rather than develop, be losers rather than winners.**

Political economy, too, has a sense of the specificity of the Canadian economy, of its resource or staples bias and its underdeveloped manufacturing sector. With that in mind, political economists worried that the FTA was mostly about our getting access to the U.S. market for resources and about the United States getting access to our resources, particularly energy (a resource so critical that countries will go to war for it). **What if the market forces unleashed by the FTA worked, in the nature of things, to weaken weak sectors and strengthen only the already strong? It would follow that the winner would simply be the resource sector, and all other sectors -- manufacturing, services, even much of agriculture -- would be losers.**

The Bank of Nova Scotia study that got leaked before the 1988 election warned about this possibility. Look now at the disarming of the National Energy Board, unable any longer to conserve natural gas reserves in Canada for Canadian use. *(--that same NEB which today in 2015, is the shill and enabler of the tar sands industry's dilbit pipelines and rail shipments, overriding growing demands for 'social license' as well as compradore-style permits -- Web Ed.)* ***Most revealing, and frightening of all, is the deindustrialization of Ontario. Free trade, the alleged instrument to make the Canadian economy mature, seems rather to be entrenching its truncated character.***

As well, political economy has a sense that trade isn't just an economic phenomenon; that it has political consequences, that they can be highly problematic, and that they can play back on the economic effects. Take the critical issue of national unity. The Macdonald Commission said getting rid of tariffs would remove the prime cause of regional alienation and thereby promote national unity. Economists -- Richard Lipsey, John Crispo, Tom Courchene -- said that, just as the Law of Comparative Advantage guaranteed that Canada would be better off, so it guaranteed that every region would be better off. We would all necessarily end up feeling better about each other.

If the economic forecasts were dubious, these political forecasts were naive and dangerously wrong and may yet cost us this country. The free-trade election exposed a basic cleavage between Quebec and English Canada, which was evident for all who cared to listen. Jacques Parizeau said repeatedly that the FTA would facilitate Quebec's independence and that was why he and the PQ liked it. Donald Smiley warned us that Canada was a loosely linked political community that could fracture in the face of the major change in the rules, from east-west ties to north-south pulls, that would flow from the FTA. He took Parizeau's point seriously. Though a political conservative, Smiley opposed the FTA on these political grounds. But not being an economist, he was ignored.

Consider also the matter of Canadian-U.S. relations and of the relative autonomy of the Canadian economy within North America. Canadian ownership of the Canadian economy had grown throughout the 1970s and 1980s relative to foreign and U.S. ownership, and there was increasing Canadian investment abroad, particularly in the United States, which was all widely cited as evidence of the increasing maturity of the Canadian business class. With the FTA, there is at least anecdotal evidence that both U.S. and Canadian capital is fleeing Canada. What sense is there in claiming that we have a mature business class if the result is to lessen the prospects for our own economic development?

Well before the FTA, it was hard to find a Canadian economy distinct from the U.S. economy. It may shortly become impossible. Anyone who believes this process has no political consequences may qualify for a PhD in economics but should not be allowed out alone. I note that the Americans are willing to admit us to the trade talks with Mexico in the light of our unstinting support for them in the Gulf War. That should be called political linkage, or political fallout, from the FTA.

Orthodox economics predicted pie in the sky, political economists predicted doom and disaster. As a committed Canadian who wants this country to flourish economically and politically, I derive no satisfaction from the fact that so far my side seems to have made the better forecast. The best that can be said, in my view, is that the economic consequences of the FTA have been problematic and the political consequences highly adverse, with the additional point that the political side is likely to play back adversely on the economic: a question mark and a cost sum to a cost.

Let that gloomy observation be my penultimate point. My final position is to reiterate, as an economist and as a citizen, that the task now is to make this damned deal work. Here there is mostly bad news but a glimmer of hope. We are stuck for a while longer with this useless government in Ottawa wreaking havoc on the country. We have, however, a government in Ontario, where so much of the manufacturing is, that seems prepared to sit down with business and labour and anyone else and talk, not about what can't be done, but what can, and should, be done to turn the Ontario economy around and revive its industrial base. I most earnestly hope that happens.

[March 1992]

(In the above selections, Watkins reveals that although he has an intellectual respect for Marxism, he has few concepts of its application to his chosen career -- Web Ed.)

Madness and Ruin: *Politics and the Economy in the Neoconservative Age* (1992)
by Mel Watkins

Part III
Aboriginal Rights

(All emphasis by the Web Ed.)
(
excerpts--pp129-138)
Noughts and Crosses: The Games Whites Play

"NOUGHTS AND CROSSES" is a game we all know – sometimes under the name "X's and O's." It is one you could amuse small children with and usually win – before video games took over the world and tipped the balance in favour of the young and the dextrous.

But what does it mean here, in the title of a piece about white-aboriginal relations? Let us begin with the crosses. **Consider the case of the Dene of the Mackenzie Valley. In the early 1970s the Dene were faced with the threat of a big-inch pipeline to be built through their traditional lands to bring natural gas from Alaska to the mid-western U.S. market. Without bothering to consult the Dene, the Canadian government was promising the right-of-way to the Americans.**

The Dene chiefs thought this promise was impossible to make without their consent. After all, their people had treatied with the federal government. They had signed two of the last of the so-called numbered treaties, which had been mostly made with the Native people in Western Canada: Treaty 8 with the Dene in northern Alberta and Saskatchewan and northeastern British Columbia and the southern part of the Northwest Territories in 1899; and Treaty [11] with the rest of the Dene in 1921. **These signed treaties were official records of friendship, of alliance, of mutual assistance, affirming their rights to the land.**

In the 1970s the federal government replied that the treaties signed by the Dene had extinguished the aboriginal title to the land, and it had the copies to prove it. Sure enough, Treaty 8 read: "The said Indians do hereby cede, release, surrender and yield up to the Government of the Dominion of Canada for Her Majesty the Queen and their successors for ever, all their rights, titles and privileges whatsoever to the land." The wording of Treaty [11] was identical except only that, with George V on the throne rather than Victoria, the surrendering and yielding up and so on was now done to His Majesty the King.

This act of immolation was, to say the least, news to the Dene. They had never previously been shown a copy of either treaty. But there were still Dene alive who had been at the treaty-making in 1921, and anyway they were a people with an oral tradition that preserved their history. The Dene said they had never signed such treaties and that they never would have.

On the basis of their understanding, the Dene chiefs directed their lawyer to file a caveat in the land-titles office in Yellowknife on 450,000 square miles of land, constituting about one-ninth of Canada -- a caveat being a warning, in this case to developers, that they would proceed with projects at their peril because they might not have title to the land. The land registrar refused to enter the caveat in the land records. The Dene chiefs went to court in support of their rights, before Mr. Justice William Morrow in the Supreme Court of the Northwest Territories. The judge heard evidence from Native people and others, including witnesses whose specialty was handwriting.

Simultaneously, Father Rene Fumoleau, an Oblate priest in Yellowknife and a most learned and saintly man, began research on the two treaties. He did this to aid the Dene -- and by way of redress for those missionaries who had traveled with government treaty parties in the past and had deceived the Indians about the treaties. His exhaustive researches were published as a book, As Long as This Land Shall Last: A History of Treaty 8 and Treaty 11, 1870-1939 (McClelland & Stewart), **from which I here draw.**

Take first what is known about the making of Treaty 8 in 1899. Of course, most of the chiefs could not write, either English letters or syllabic characters. The established practice in dealing with people who are illiterate is to accept a cross mark, which is, experts assure us, as unique and personal as handwriting. But Fumoleau says, and the court agreed, "On the Treaty 8 documents, nearly all the marks next to the chiefs' names are identical, perfectly regular with a similar slant, evidently made with the practiced hand of one pen."

Nor was this, apparently, an isolated occurrence, unique to the Mackenzie Valley or even to Canada. I was speaking of these matters at a seminar at the Scott Polar Institute of Cambridge University, and an anthropologist there directed me to a 1981 article in *Cambridge Anthropology,* "A Treaty Signed with a Cross," by Susan Drucker-Brown. She tells us that in 1894 a treaty was supposedly signed by a representative of the British government with the King of the Mamprusi Territory (now Ghana) in Africa. But in the archives Drucker-Brown found a 1897 letter from the Colonial Office in London to a British military officer in Africa. According to the letter, the French were questioning the treaty and London was admitting that for the purposes of negotiation with the French (or German) governments, the signatures were "unsatisfactory and insufficient." **The letter proceeds, marvelously exposing the condescension so characteristic of the imperial mind: "None of the crosses appear to have been made by a native -- and, although there would perhaps be no objection to one line of the cross being made by a European, the other line should be made, however badly, by the native chief himself."**

Today Native people are likely to be literate but their signatures can still be forged. As recently as 1987, Indian Affairs minister Pierre Cadieux split the band of the Lubicon Lake Cree, thus weakening them in a land-claims struggle that has been going on for half a century, on the basis of a petition bearing 152 names in which most of the signatures were made by one person who drew up the petition; *The Globe and Mail* headlined the story "Ottawa's conjuring trick to create new Indians."

Of course, that word "crosses" has other connotations, but they likewise end up being crosses for aboriginal people to bear. Canadian history books frequently recount from Jacques Cartier's own journal the story of how his men erected a cross at the mouth of the harbour on the Bay of Chaleur, claiming the land in the name of the King of France, whereupon the chief of the watching Indians "made us a long harangue, making the sign of the cross with two of his fingers; and then he pointed to the land all around him, as if he wished to say that all this region belonged to him, and that we ought not to have set up this cross without his permission." Cartier's journal continues: "Then we explained to them by signs that the cross had been set up to serve as a landmark and guide-post on coming into the harbour." The historian Arthur Ray describes this as a "baldly spurious explanation" made necessary because "Cartier doubtless realized that the Indians were fully aware of the actual significance of the cross." The word "crosses" obviously also conjures up the role of the churches -- the appropriation of aboriginal souls that accompanied the appropriation of their lands -- but that is too vast an issue to be pursued here.

As for the "noughts," they describe either what Native people have mostly received from the dominant society, whether by treaty or otherwise, or the tendency to treat them as if they did not exist and as if their lands were empty. Or both. In brief, the manifold ways by which being is reduced to nothingness.

Consider Treaty [11]. Because it was made in 1921, there were numerous people alive at the time of the court hearings in the 1970s who remembered what had happened. **The person who interpreted for the treaty party at Fort Providence testified before Mr. Justice Morrow that he was not asked "to read and translate any paper or writing during the negotiations." He translated only what was said to the Indians, from which they got the impression that the treaties were treaties of friendship. In reality, we now see that they got nothing of the kind; indeed, they got less than nothing, because their title to the land was summarily removed.**

It is hard to draw any conclusion other than that the speeches made by the treaty party to the Dene, and the promises they contained, were profound misrepresentations wilfully and knowingly uttered, and made to people imbedded in an oral tradition for whom the spoken word truly mattered. The written words, being similar to those of existing treaties, were obviously known to the treaty party and deliberately withheld, with the "signatures" being subsequently doctored: all in all, the kind of behaviour that gives literate society a bad name.

There is also the matter of the circumstances of the making of the treaties. Treaty 8 was brought forth by the government when it was because of the Yukon gold rush, and Treaty [11] because of the oil find at Norman Wells. Yet worse: earlier attempts by the Hudson's Bay Company factors or missionaries to get help for the Dene during hard times, or to get the government to treaty with them so it would then have some responsibility towards them, had been rebuffed. **Fumoleau describes the double knot that meant the Dene got nought: "The Canadian Government did not feel it had any obligation toward a people with whom it did not have a formal agreement. Nor did the Government see any purpose in making a treaty with Indians whose land was apparently of such little value."**

Presumably, given all this, the courts could not do other than find these two treaties to be null and void. Well, not exactly. Morrow ruled that the Dene had the right to file a caveat. But he added that for their own protection he would not allow them to exercise this right, because after filing a caveat they would risk being subject to damages of an incalculable amount if his decision were appealed by the government, as it surely would be, and reversed. This seems wise of the judge because his decision was indeed reversed, first by the Supreme Court of Alberta, which acted as the Court of Appeal, and then by the Supreme Court of Canada, the only problem being that the net result was nothing for the Dene. **The law was mostly another form of the "nought." It sometimes gave something with one hand, but afterwards it moved in its convoluted fashion to take it away with the other.**

The dominant white society got to make both the noughts and the crosses and could hardly help always winning. If there were any risk of not winning big, it lied and cheated and stole.

It would not be difficult to say more, much more, about the thoroughly rigged games that have been played. ***Native people were not dupes; they knew what was being done to them, but they typically lacked the power to play it differently. Increasingly they have simply refused to play the game by others' rules, and progress has become possible. It would help if the rest of us would cease playing games on them, or being complicit therein, and would allow aboriginal peoples the space -- in all senses of that term -- that they need to live and prosper.***

[January 1990]

As Equal Partners: Recognizing Aboriginal Rights to Self-Determination

IN THE MID-1970s the Dene of the Mackenzie Valley were at the cutting edge of national, northern, and Native politics. I worked for them at the time as an economic consultant; it was a privilege to do so.

It is a modern tradition of the Dene for their chiefs and band councillors from their communities throughout the valley to assemble annually during the long summer days, to talk from morning to night day after day as they search for consensus no matter how divisive the issue. Their twentieth national assembly was at the Dene village of Dettah just outside Yellowknife in July 1990. I attended, this time as an observer and supporter.

In some ways it seemed like light years had passed. Earlier the Dene had simply been called Indians and their own organization was the Indian Brotherhood of the Northwest Territories. **At their assembly in Fort Simpson in 1975, the Dene issued the** *Dene Declaration.* **Though scattered in their communities over a vast area, and speaking different dialects, they declared their right of self-determination as the Dene Nation; they were shortly to make that the name of their organization. They were an inspiration to Native groups throughout Canada, which were likewise struggling for recognition as the First Nations of Canada. Significantly, the first president of the Dene Nation, Georges Erasmus, became the head of the Pan-Canadian Assembly of First Nations.**

The Dene mapped their use and occupation of the lands and waters of the Mackenzie Valley as a basis for a comprehensive land claim. Faced with a powerful consortium that wanted to build the Mackenzie Valley natural-gas pipeline, the Dene insisted: no pipeline before a land-claim settlement. They gave Tom Berger the evidence he needed to recommend in 1977 that the pipeline should not be built for ten years to allow time for a settlement.

These were indeed impressive achievements. Now, fifteen years later, a land-claim settlement has finally been negotiated between the Dene -- along with their close cousins, the Métis -- and the federal government. In early April 1990 the Dene chiefs initialed what was supposed to be the final agreement. **But at the Dettah assembly, the Dene decided the settlement was not good enough and insisted that the federal government agree to further changes. The Métis, meeting simultaneously in Yellowknife, concurred.**

In fact, the settlement that was struck bears scant resemblance to the powerful principle of self-determination laid down in the *Dene Declaration.* **It is literally a *land-claim* settlement, a real estate transaction, a modern treaty; where aboriginal title is extinguished in return for the Dene receiving some land back along with some money. It includes little by way of aboriginal self-government that would give effect to that Dene demand for self-determination.**

Canadian aboriginal leaders have tried without success to get the federal government and the provinces to entrench aboriginal self-government in the constitution. The result is that the Dene-Métis, like other aboriginal people, have got nothing via that route. That is why Elijah Harper killed the Meech Lake Accord and why, when he came to the Dene and Métis assemblies, he was given a hero's welcome.

What the Dene-Métis have got, unlike Native people in the south, who are vastly outnumbered by others, is impressive representation in the territorial government, both the legislature and the civil service. For example, Stephen Kakfwi, another former president of the Dene Nation, became an elected member of the territorial legislature and the cabinet minister responsible for aboriginal relations -- making him the only aboriginal person in Canada with that job description.

When I was there in the 1970s, the territorial government was seen as the enemy and James Wah-Shee was impeached as president of the Indian Brotherhood by the Dene chiefs because he was running for the territorial legislature. That is indeed ancient history; now the Northwest Territories legislature has a Native majority. That may seem like good news for the Dene, and it is except for one big complication: the Dene

drive for political power is split between the territorial government and the Dene Nation; the legitimacy of the Nation in representing the Dene politically has been accordingly lessened. That might not be a problem were it not for the possibility, indeed probability, that at some point the Dene will become a minority in their own homeland.

As economic development proceeds, it brings outsiders in its wake, and it doesn't take very much development to cause an inflow sufficient to swamp even the still-high rate of natural growth of the Dene population. The population of Yellowknife has increased by more than half since I lived there; most of the increase has been the result of a southern influx. This has happened in spite of that greater aboriginal presence in government. The continuing northward migration of whites has also happened in spite of the fact that the big gas pipeline has yet to be built and its further spinoffs experienced.

Add the further ingredient that the Northwest Territories is probably going to be split geographically at some point to accommodate the desire of the Inuit for their own territory, and things get very dicey for the Dene-Métis. Already, Dene and Métis are a minority, albeit a substantial minority, in the western Northwest Territories; by the time two territories are created, they could be considerably outnumbered and will risk the unhappy fate experienced in the south by aboriginal people in political jurisdictions dominated by white majorities.

What is missing in this land-claim settlement -- what cannot be dealt with in a conventional settlement -- is the guaranteed protection of their political rights as aboriginal people that the Dene-Métis will need when they become a minority.

The Dene-Métis have been part of a process within the Northwest Territories to work out new constitutional arrangements to meet that deficiency. That process is stalled, in some considerable part because the Dene have been unwilling to honour an agreement with the Inuit on a boundary for division of the Northwest Territories. But regardless of whose fault it is, the Dene-Métis end up with no political guarantees. Without such entrenched political rights, the package at offer is seriously incomplete and understandably unacceptable to most Dene and some Métis.

What may very well have tipped the balance against the settlement in the minds of many Dene are some recent Supreme Court of Canada decisions on aboriginal rights. The Charter of Rights and Freedoms of 1982 includes those rights, but it was unclear whether they would amount to much in practice. Finally, in 1990, the Supreme Court spoke and for once aboriginal people were pleasantly surprised. Late in May the Sparrow case indicated that the court felt the aboriginal right to fish -- and generally engage in traditional activities -- cannot be arbitrarily limited by federal or provincial laws and regulations that apply to non-aboriginal people. It went further and said that aboriginal rights must be interpreted in a flexible and modern way. It may have even gone further when it reminded the federal government that its relationship with aboriginal people is a trust or fiduciary relationship rather than an adversarial relationship.

What this means for land-claim negotiations -- there are lawyers prepared to so argue -- is that the federal government does not have the right to make aboriginal people such as the Dene-Métis negotiate within a framework where they have to surrender aboriginal title to lands.

It would be a mistake for the Dene-Métis to rely too much on the good will or good sense of the Supreme Court; at the end of the road, the courts remain part of the political economy of this country. It may be too much to expect that, in the crunch, aboriginal rights will take precedence over those of developers. **But for the moment the law is causing claimants like the Dene-Métis to believe they have more rights without a settlement than they had thought. There is less incentive to settle; a greater**

willingness to oppose the present settlement.

Aboriginal people, the Dene included, believe passionately that their aboriginal rights and title should not be extinguished, but affirmed. In the present, as in the past, what they want to sign with us are, in effect, treaties of friendship that recognize them as equal partners in Confederation. The Dene think the courts have strengthened their hand in making this demand.

The counter-position, insisted upon by the federal government, is that to affirm aboriginal title would negate the whole object of the exercise, which is to extinguish aboriginal title so developers can proceed with certainty. The counter-response is that the Dene are the rightful owners of the land and they should have the largest say in what happens there. Which doesn't mean development on aboriginal lands would come to a stop; it means the Dene would be able to decide. But don't hold your breath waiting for the Mulroney government to agree with this.

The down side is that the Dene and the Métis are themselves divided, and the Dene Nation itself may fragment regionally. The more northerly Dene-Métis see the oil and gas exploration all around them; they experience the impact and the costs, with no assurance of benefits. Their neighbours, the Inuvialuit, have settled and benefited both economically and in their ability to control development.

Still, I hope the Dene and the Métis stand firm together and make Ottawa negotiate new kinds of settlements with themselves and with all other aboriginal people in Canada. *

* In fact, the Dene Nation has split with the Gwich'in of the Mackenzie Delta, accepting Ottawa's offer of a land-claims settlement.

[September 1990]

Madness and Ruin: Politics and the Economy in the Neoconservative Age (1992)

by Mel Watkins Part IV (Three concluding essays)

a) **What the Waffle and Richard Nixon had in common**

(All emphasis by the Web Ed.) IT HAS BECOME a ritual, each January, for the media to tell us that the New Year is the hundredth anniversary of this, or the fiftieth anniversary of that, or the any-other-number-greater-than-zeroeth anniversary of something. Since I was thinking of writing about 1989 as the twentieth anniversary of the Waffle -- though I didn't expect to be scooped by **that** being cited elsewhere -- I looked to see whether the year was being reported as the twentieth anniversary of anything else. The only one I found was the inauguration of Richard Nixon.

I'm not sure that at the time any of us thought **that** would be remembered, and some would perhaps think now that the only reason for celebrating Nixon's arriving is because without it we would never have had his truly memorable leaving. Though, ironically, Richard Nixon and the Waffle had one thing in common: they both advocated Canadian independence.

This obsession with anniversaries, in terms of decades or parts of centuries, being what passes for history in the media, is all a bit arbitrary and meaningless. But as it happens, by sheer coincidence 1989 has a significance to the discussion of the Waffle beyond that arbitrary twenty. This is, after all, the first year of life under free trade -- if life is not too strong a word.

The 1988 election and the victory of the free trade forces formed a historic watershed in Canada's relationship to the United States. Likewise the Waffle, with its nationalism and alleged anti-Americanism, was centrally about a position with respect to that relationship. Though it would have vehemently opposed the ultimate answer, the Waffle at least knew what the big question was. In that horrid election, victory went to the business community, which was monolithic in its support of free trade. It was a central proposition of the Waffle analysis of the world that the Canadian business class was grossly deficient in its nationalist sentiment. From which it followed that an independent Canada would therefore have to be, by capital's default as well as our desire, a socialist Canada.

In the fight against the free trade agreement, a coalition of unprecedented breadth and strength emerged. I like to think of the Waffle as an early and embryonic version thereof. There is also, in this list of the analogous, the matter of the NDP, past, and present. The 1989 election, and how the free-trade issue was handled, exposed the serious limitations of the NDP and led to an uncharacteristic amount of public feuding and bloodletting and soul-searching; those too, especially the public feuding, were what the Waffle was also very much about.

Though it seems like yesterday to me, I must not assume that all of you recall what the Waffle was. Let me assure you that it did exist. It is, on occasion, noted in the history books and in discussions of the NDP and its thorns-in-the-side. It warrants an entry in Mel Hurtig's marvellous Canadian Encyclopedia. The Waffle Manifesto is reprinted in the collection Canadian Political Thought (editor Professor H.D. Forbes, Oxford University Press) along with the Regina Manifesto and the writings of such great radicals as William Lyon Mackenzie and J.S. Woodsworth.

To my knowledge, the Waffle has been the subject of two MA theses, one of which led to an article in the Canadian Historical Review on the Ontario Waffle. We await the doctoral dissertation. And there is less happy evidence that the Waffle existed. Its existence was thought to matter by higher authority: the report of the McDonald inquiry in the early 1980s showed that we figured significantly in the files of the RCMP.

Twenty years on I need to offer a few details on the Waffle and its context. It began in 1969, in the days of the New Left, of antiwar protests, of rising nationalism in Quebec, in English Canada (remember Walter Gordon and the Watkins Report on Foreign Ownership), of student protests on campuses. The world witnessed an international phenomenon, from May '68 in France to the U.S. Democratic convention in the summer of that year. In Quebec,

bombs were going off in mailboxes. In short, it is no overstatement to say that an anticapitalist, anti-imperialist sentiment was in the air in a way that is hard even to imagine in these neoconservative times. (Even the rhetoric may now jar.)

In Toronto a group of mostly young activists in the NDP decided to meet in preparation for the party's federal convention in the fall in Winnipeg. We wanted to move the party to the left, back to its roots in the Regina Manifesto, and make it more nationalist with respect to both Canadian nationalism and Quebec nationalism. Being good Canadians we plotted, not a revolution, but a resolution to take to riding associations for endorsement. This caught on like wildfire, a rare and random event in political organizing, as anyone who has ever been involved in it knows.

What we wrote became a manifesto and, for want of a better name, with self-conscious irony (not a bad quality in politics), we called it the Waffle Manifesto. We forced a full-scale debate on party philosophy at the convention and took close to forty per cent of the vote for our radical views. Flushed with success, we decided to hold together as a left caucus: hence the Waffle.

We did many things to promote the left nationalist cause. By the next federal convention, in 1971, Jim Laxer ran as the Waffle candidate for the leadership of the **NDP**, and came in an impressive second. But that success was to be our undoing. We were too strong to be tolerated by the party establishment but too weak to survive an all-out purge. We were driven out of the party in Ontario in 1972. We tried to survive outside but, except for a Saskatchewan remnant that lingered on, the Waffle had disintegrated by 1974. Wafflers went their various ways, some lost to politics for good, others drifting back into the **NDP.**

What sense should we now make of this little leftie blip that blinked ever so briefly on the big life-sized screen? Recall that international context. The Canadian specificity -- to be precise, the English-Canadian specificity -- was to take the pervasive protest of the times, translate it into nationalism (that being wholly appropriate at the margin of the American empire), and work it out **within** a parliamentary party. So viewed, the Waffle, as radicalism went, was the quintessence of Canadian moderation, though admittedly it would be asking too much of the **NDP** leadership to have them see it that way.

Two decades later, how does the Waffle look in terms of the issues? Then the issue around the Canadian-U.S. relationship was the Canadian dependency that flowed from U.S. ownership. Now it is the dependency that results from conducting the overwhelming bulk of our trade with the United States. The Trudeau government made slight efforts in the 1970s to deal with the U.S. ownership issue, in no small part because the Nixon administration told us to stand more on our two feet, with Nixon himself taking time out from the Watergate crisis to come to Ottawa in 1972 and unilaterally declare Canada independent.

With much ado, Canadian capital belatedly assumed a larger role, particularly in the ownership of our resource industries. We know that all of this was to culminate in the deeper dependency of the free-trade agreement. Now Canadian business is back in the real business, at which it excels, of selling out to the Americans. So even the form of the dependency has not changed. The Waffle was all too prescient.

Canadian capital hasn't changed, but Canadian labour sure has. In 1969 the real waffle in the Waffle Manifesto was calling for the nationalization of everything but a Canadian labour movement that was majority-controlled by international (meaning U.S.-based) unions. This evasion got us nowhere, with the international unions like Auto and Steel leading the charge that forced us out of the NDP and into the wilderness. Today, in an incredible turnaround, the Canadian labour movement is mostly Canadian, with the trade unions now more nationalist than the NDP proper, as we saw in the free-trade debate. This ex-Waffler, who likes to think his politics haven't changed, even spent the year 1988 working for the Canadian Labour Congress (CLC).

Perhaps the Waffle played a minor role in helping this happen. Nationalists within the labour movement presented a Pancake Manifesto at the CLC convention in 1970, and the Waffle's work with the militantly nationalist Confederation of Canadian Unions added to pressure for a sovereign Canadian labour movement. **Certainly, the Canadianization of the Canadian labour movement is the most important development in the past twenty years for left politics, ensuring that nationalism, or Canadian independence, or Canadian sovereignty, or whatever you want to call it, is now firmly on its agenda.**

If the first great hope of the Waffle was that Canada become a nation, the second great hope was that this be done by recognizing that Canada was really two nations, and that the independence struggles in Quebec and English Canada had to be bridged and linked to their joint benefit.* This has been a vain hope and no progress of any kind can be reported. Quebec nationalists were defeated in the referendum of 1980; English-Canadian nationalists were defeated in the free-trade election of 1988. With Quebec's new language bill and the manoeuvring around the Meech Lake Accord, Canadian politics has once again degenerated into the mutual minimization of minority language rights. Trudeau gave support, albeit lukewarm, to English Canadian nationalism while crushing Quebec nationalism. Mulroney does the opposite. The NDP is unable to relate to nationalism in either official language. It is a sorry and despairing story; there is no credit for anyone to claim. The Waffle at least tried. *(*The author would undoubtedly be sympathetic to the view that Canada consists of **three** nations – all seeking sovereigntist satisfaction – see his graphic description of the native struggle for recognition of native land rights as fundamental, in the chapter on the Dene, a struggle in which he personally participated – Web Ed.)*

There were other issues, then, and further issues now, but enough said. The Waffle did what it could. It worked in the interstices between party politics and grassroots movement, coalition politics. That, in my view, is where the action was, is now, and ever shall be.

[March-April 1989]

Madness and Ruin: Politics and the Economy in the Neoconservative Age (1992) by Mel Watkins

Part IV (Three concluding essays)

b) Mr. Waffle Goes to Howe

(All emphasis by the Web Ed.)

IN THE DYING DAYS of 1991 I received a rare kind of invitation for me: to address a gathering of the blue-ribbon, right-wing CD. Howe Institute. I was to be on a panel with Eric Kierans and Dalton Camp, replacing Gerry Caplan, who was subbing for Stephen Lewis -- as I said to the audience, they had no choice but to listen to me, because I was the bottom of the barrel. The assigned topic was, "Can politicians deliver effective policy? What are the alternatives?" As befits the elitist Howe Institute, its meetings were closed, but I will share with you what I said:

Let me try to be a good academic and take your questions literally. To the first -- can politicians deliver effective policy? -- the answer would seem to depend on what you mean by effective. The Mulroney government has brought us the GST and the free-trade agreement, to pick two big policies; the government may think they're effective, many of you may think they're effective, but the public certainly doesn't. Politicians can clearly deliver ineffective policies; they do it all the time in this country.

As to the second question -- are there alternatives? -- does that mean to politicians or to policy? The public certainly wants an alternative to the present federal government, and any audience that doesn't also want that is simply unrepresentative. But are alternative policies possible? I know we're sometimes told that we have no choice -- you have to live with free trade, for example, or you have to live with the GST. I heard Richard Lipsey say a while ago on CBC Radio that Canada had no choice but to go into the North American free-trade agreement that brings in

Mexico, though since then there have been stories in the press that the Bush administration is dragging its feet and the Mulroney government itself is not all that keen.

It is a funny world indeed if you can choose between eighteen kinds of light beer but you have no choice as to the kind of society you live in. Of course, in the real world there is some variety. For example, Canada and the United States, while similar in many ways, have been distinctly different societies for as long as they've existed. They will remain different for so long as people wish them to remain different.

But perhaps these questions are code for something else. There's a view around, which is receiving media support, that the public is in an ugly mood, prepared to throw out politicians just for the sake of throwing them out -- unwilling to accept harsh-but-necessary policies, to live within its means, to become more competitive. In short, there are no alternatives to these measures, but the public is unwilling to accept reality and is instead punishing politicians.

If that is the subtext of these questions, then I disagree. For starters, I read the public mood rather differently. People are certainly frustrated and fed up, but they are also, in important respects, very tolerant of others. For example, the level of support among Canadians for the rights of aboriginal people is at the highest level since Columbus did whatever it was that he did five hundred years ago; that's why Mulroney and Clark should move briskly to entrench the inherent right of aboriginal people to self-government. As well, there is an unprecedented concern about violence against women and about the sexual harassment of women. Finally, people say they like their jobs -- when they have them -- and that they like their communities, notwithstanding dramatic changes in ethnic mix in many places. **People are also very concerned about having more control. That's probably the most important message that came out of the Meech mess. It is a democratic urge that is healthy and should be encouraged. Yet, instead of genuinely building on that impulse by forming a constituent assembly to rewrite the constitution, the government is keeping tight control. Rather than permitting participation in decision-making, it is consulting us to death about its own predetermined agenda.**

This is not working on constitutional matters. It is certainly not going to work on economic matters, where the Mulroney government's dance around prosperity and "competitiveness" abdicates responsibility for leadership of the economy. I'd guess that people will just stay away in droves from the town-hall meetings. Instead, their resolve to get rid of this government will be deepened.

It seems to me that people have every right to be frustrated and fed up. If they are cynical -- to use the most commonly applied adjective – that is perhaps because it is rational to be cynical. After all, the economic system is demonstrably not working. People are taught to be good consumers, and then their standard of living is frozen for years on end. They want to work, but there aren't jobs. We are in an economic crisis that is long and deep with no apparent end in sight. Who wouldn't be frustrated?

The main solution being forwarded by those in power to deal with all this and restore normality is not working. In the late 1970s and into the 1980s we got Margaret Thatcher, Ronald Reagan, and Brian Mulroney; our reward was that the 1990s began with a deep recession, with no real evidence yet of a decent recovery. Not only are these policies not working, in many respects things are getting worse; just look at the incidence of poverty -- particularly of children in single-parent families -- the number of homeless, the proliferation of food banks. Furthermore, it is likely that the policies being practised have actually made things worse. Who wouldn't lose respect for politicians and for those who put them up to all this?

At the same time, the possibility of other solutions is dismissed. When the NDP is elected in Ontario, if it tries to do anything different, business says it will tolerate no change and threatens to leave the province. It turns out that the reason why there can't be anything different is because business won't tolerate anything different. This borders on blackmail and threatens to be a self-fulfilling prophecy.

Everywhere, those in charge refuse to take responsibility and instead pass the buck. The most common tendency is to blame governments. Even governments do it; that is, blame previous governments or other governments.

Ronald Reagan turned this trick into an art form when he ran for re-election in 1984 against the government that he himself headed. Business also does it. I'd guess this audience can say it in its sleep: there's too much government, too much regulation, too much spending, too much tax. **For added measure, blame the unions -- even blame people themselves -- for not being competitive enough. This reaches the point of absurdity when Michael Porter, a tenured faculty member at Harvard, tells Canadians to stop sheltering ourselves from global forces when in fact Canada, as the world's greatest staples exporter, has lived all its life at the mercy of global market forces.**

If somebody is to be blamed, perhaps it is the business community. More or less by definition, in a capitalist system, it is the capitalists who are in charge. Even Michael Porter, to his credit, talks about the deficiencies of the business community -- too little spending on research and development and on training, maybe even too much foreign ownership.

At some point, all of this, all of us, may be missing the main point. These are problematic times, turbulent times. On that we can all agree. We're all in the same boat and I'm willing to assume, though not forever without some hard evidence, that none of us actually wants to jump ship. In that event, the real question becomes: How are we going to pull together?

For instance, can we make free trade work? The need at the moment is for anything but more free trade, abroad or at home. First, make the one deal we already have work. If business, who brought us this deal, can't do that, then it should be abrogated. It will be if the public is heeded. For now, there's too much buck passing, too much scapegoating -- probably by all of us, and certainly by business. Maybe that public, which we're all sitting here contemplating in its absence, just wants some problems solved in a decent and democratic way.

Tom d'Aquino of the Business Council on National Issues then berated me from the audience for eight minutes. He spent seven of those complaining about the deficit and such like and none in saying what big business was prepared itself to do by way of making things better. I replied by deploring the continuing misallocation of d'Aquino's time and energy and pleaded with him to try to do better. *[March-April 1992]*

Madness and Ruin: Politics and the Economy in the Neoconservative Age (1992) by Mel Watkins

Part IV (Three concluding essays)

c) A Just War – or Just a War?

(All emphasis by the Web Ed.)

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WE'RE HERE for more than just the price of a gallon of gas/' said U.S. President George Bush, quoting a member of the U.S. armed forces in the Gulf. There is a double revelation there: the admissions that oil is part of the reason why the Americans fomented this war, and that there's something else, which must be very big indeed, at stake as well.

Iraq invaded Kuwait because of oil and its riches. Oil -- a three-letter word for greed -- is today's gold and it evidently creates its own kind of rushes and, as we now see, vigilante justice and midnight posses. As befits that desert part of the world, however, the wealth will all be a mirage as Iraq, and probably Kuwait too, are reduced to rubble.

The United States massively attacked Iraq because nothing, including those planes wreaking havoc, can function without oil. True, but how much is enough? It seems unserious, even subversive, to insist that the alternative to war in this case is not appeasement but merely conservation, and with it a healthier, cooler planet; while war, Greenpeace reminds us, could set fire to a thousand oil wells and create an environmental catastrophe.

Friends of the Earth estimates that if the United States improved the fuel efficiency of its automobiles by only seven miles to the gallon, it would eliminate its need to import oil from Iraq, Kuwait, and Saudi Arabia. Yet as the White House manoeuvred us into this war, it lobbied vigorously in the U.S. Senate precisely to defeat a bill that would have required auto companies to increase the fuel efficiency of new cars: better to fight than ease up on the gas pedal.

So what else could Bush have in mind? The short answer is that in the bygone days of the Cold War there were two superpowers and the United States is out to prove that today there is only one. With the Soviet Union disposed of (more accurately having disposed of itself) *(the author's reference to the self-generated collapse of the top-heavy Soviet state bureaucracy in 1989),* the United States was faced with the horrible prospect of being judged by peaceful criteria, such as economic efficiency and the prosperity of its people and being found utterly wanting compared to Japan and Germany.

So why not have a war in which Germany and Japan could not seriously get involved even if they wanted because, having lost the Second World War, they are precluded from being superpowers militarily? They can flex their muscle in the G-7 (though henceforth at any meetings thereof they will be badgered to help pay for the war), but they're not permanent members of the UN Security Council – which adds to the attractiveness of the UN cloak for the Americans. U.S. hegemony is restored and that, as much as oil, is the ultimate purpose of this war. The ability of the United States to put off its day of economic reckoning remains one of the wonders of the modern world. It presumably can't go on forever, but a lot of lives are being lost in the interim.

The point at issue in the Gulf is not whether Saddam Hussein is an aggressor -- he is -- but whether war was necessary. The alternative was sanctions, and though every effort is being made to have us forget this, sanctions are exactly what were put in place against Iraq by the United Nations. While they take time (so do wars), the likelihood of them working was especially good in this case. Iraq is highly dependent on the export of a single commodity, and every possible buyer of oil or supplier of imports to Iraq is in the United Nations.

The U.S. torpedoing of sanctions has done double damage. It left war as the only alternative, and it turned the United Nations into a war machine. Of course, that is precisely why the United States did what it did. The world has lost one of the best opportunities to demonstrate that aggression can be stopped without war. That Mulroney went along with this foul American deed is a sign of the totality of his toadyism *(and the eunuch-like quality of the Canadian elite – Web ed.)*

Somehow an expert with a memory of more than twenty-four hours had got himself on the screen with Tom Brokaw of NBC News, and this guest began running off at the mouth about how the weapons Iraq might now use against us had been "imported," by which he meant that somebody other than Iraq had manufactured these weapons and chose to let them fall into the hands of that monster Saddam.

The second time the guest uttered that loaded word "imported," Brokaw brusquely reminded him he was talking about complicity in some distant past and that it was Saddam who had chosen to actually use the weapons -- a fine point that had escaped our expert. The guest then disappeared from the screen with the speed of an unplugged light, consigned to that black hole reserved for those who blow their chance at the fifteen-second sound bite (to which Warhol's famous fifteen minutes on the stage of history has now been reduced).

Part of the case for television as a force for good is that the atrocities portrayed on suppertime news turned viewers' stomachs and turned American heads against the war in Vietnam. In the early days of this war, however, the jingoism of the Amnets is overwhelming. Before the bombing had started, the British print journalist John Pilger wrote that we live in “not an information society but a media society in which vast amounts of repetitive information are confined to a narrow spectrum of 'thinkable thought.'" It is a good description of what we then saw.

CBC-TV news made some effort to transcend those limits, with Peter Mansbridge regularly reminding us that everything we were being shown from the Gulf was being controlled and censored and therefore to be taken with the appropriate grain of salt and that the coverage given to each Scud missile aimed at Israel or

Saudi Arabia should not cause us to lose sight of those thousands of bombing sorties against Iraq and Kuwait.

U.S. hypocrisy, which had looked the other way and even tilted towards Iraq as long as Iraq confined is aggression to Iran, is matched only by the duplicity of the Soviet Union, which took advantage of the Gulf War to squelch nationalist forces in Lithuania and Latvia. The Russians too are proving themselves disgustingly adept at playing by the new post-Cold War rules.

The end of the Cold War happened only yesterday and held such great promise. With stunning rapidity, the military-industrial complexes, while successfully warding off any significant cuts in Cold War spending, have found new wars and maintained their iron grip. Will they yet make us long for the bygone days of the Cold War?

Capitalism being the less-than-perfect system it is, war sometimes helps the economy. For all we know, we might still be mired in the Great Depression if not for the Second World War. This war, though, unless it is over quickly, is expected to be bad news for economies like Canada's, which are already mired in recession. If the war lasts long, oil supplies should be threatened and oil prices driven up. In the 1970s, escalating oil prices fed stagflation not once but twice; rising prices spread throughout the economy, while more being spend on energy left less to be spent elsewhere and pushed up unemployment. In fact, in the run-up to the war, the market anticipated oil-supply disruptions; the price went up and just that effect took place.

Far away from Baghdad, the first night's violent U.S. hits and the subdued Iraqi response spooked the market into thinking oil supplies would be spared, and the oil price plunged. But in less than a week, with Kuwaiti wells burning, it was on the rise. We've not, I'd wager, seen the last of the damage to the economy. Should that not cause you to worry, consider this: John Crow has given us his word that the Bank of Canada will be "helping to guide the Canadian economy through the situation." Meanwhile, those huge U.S. and Canadian budget deficits that only yesterday left us no choice but to pare government spending -- albeit on merely useful things like health and education -- will now balloon to permit escalating military costs. "Peace dividend" sounded like an oxymoron, and is. It has been conjured away by the simple device of abolishing peace. More reason, not that it's needed, for opposing this mindless war.

It was reported in the business press, and must therefore be true, that the United States has withdrawn any objections to Canada being at the table for trade talks with Mexico in light of Mulroney's unstinting-support of the war. This is the kind of linkage that the Americans reject out of hand when practised by the other side -- for example, Iraq saying it would consider withdrawing from Kuwait in return for a Middle East conference on the Israeli treatment of Palestinians. But two wrongs -- Canadian involvement in the Gulf War and a free-trade deal between Canada and Mexico -- don't make a right. They just make two more big mistakes by a government with no mandate to do either. Though there is a glimmer of good news: in Mexico there is apparently some evidence that revulsion against the Gulf War may feed opposition to the free-trade deal with the United States.

I was a child during the Second World War and I thought like a child. Each day on the radio we would hear about the Allied bombing of Germany, and it made you feel good because it meant we were getting back at those terrible Nazis. But it slowly dawned on me that, since we were massively bombing cities, there must be a lot of people being killed, including children like myself and my brothers and sisters and cousins and friends, and the doubts crept in. As an adult, the enormity of what happened to Dresden sunk in. In that rain of death, we had outdone the atomic bomb before it had ever been used.

Use whatever language you want about surgical strikes (a truly Orwellian phrase) and softening up the enemy for fighting on the ground, mass bombing is genocide. It takes one of humankind's magnificent achievements, the ability to escape the earth and fly like a bird and turn the clouds upside down from ceiling to floor, and perverts and destroys it. It wilfully and wantonly kills from on high. It murders and makes us murderers. Mass bombing is the true terrorism, beside which what passes by that name pales. It

fills me with sorrow and with shame. It makes me angry. It too must be put on the list of the banned weapons of war.

There is already talk in the media, fueled by Israeli strategists, that the U.S. policy of bombing long and hard before launching a ground offensive is wrong, that both should be done simultaneously. But the point is not that U.S. strategy may be stupid; it is that the endless bombing is evil and should never have happened. Our government's willingness to let our planes "sweep and escort" for the U.S. bombers is offensive militarily and offensive morally.

Canada's great scholar of peace, Anatole Rapaport, was asked what we should do. Eighty this May, he drew on his vast fund of experience. Bear individual witness. Protest collectively. There is one political party that is unambiguously opposed to the war; work with it. Have faith in people, he implied. There is no inherent human propensity to behave aggressively,- it is leaders imbued by realpolitik who cause wars.

This century, terrible though it has been, has seen an increasing revulsion with war. People danced in the streets in celebration of the beginning of the First World War. The Second World War was met with more like sullen resignation. The escalation of the Vietnam War was followed by an escalating storm of protest. The protest against this war began before the war itself. Rapaport kept repeating: you have no choice anyway but to act, because it is impossible not to act in the face of this evil.

[March-April 1991]

"Giving Away A Miracle: Lost dreams, broken promises & the Ontario NDP"

George Ehring & Wayne Roberts (1993)

PART ONE: The Deadly Sins *(excerpts)*

(All emphasis by the Web Ed.)

(...)

2. The No Dissent Party: Democratic isn't the NDP's middle name.

> "The whole socialist movement is no more than an exciting heresy-hunt." George Orwell, *The Road to Wigan Pier*

Premier Rae likes to say that the job of government is listening to people. This is ironic coming from the leader of a party that is hell-bent on ridding itself of dissident voices. Run by a small group of hand-picked insiders, there is little attempt at consensus building or honest listening that goes on inside the NDP. The party's lack of listening while in opposition has led to many of the problems it has as government.

Long before labour leaders pushed Ontario NDP leader Stephen Lewis to expel the Waffle from the provincial party in 1972, both the NDP and CCF had been busy rooting out left-wing members who disagreed with the party brass. The Waffle incident was only the latest and most obvious proof that Democratic isn't the NDP's middle name.

The Waffle was the party's effective extra-parliamentary left-nationalist wing, which more than any group before or since sparked NDP debate on fundamental principles. Upstart graduate student James Laxer even forced Stephen's father, David, a party icon, to an embarrassing fourth ballot during the federal leadership convention in 1969. In the process, Laxer outpolled future leader Ed Broadbent and future MP John Harney.

The expulsion of the Waffle showed the party establishment's paranoia in dealing with challenging ideas from its own left wing. This didn't start with the NDP; David Lewis was a notorious red-baiter who loved to root communists out of the party.

Expulsions mark the history of the CCF. In fact, just a few months after the founding of the party, the entire Ontario wing was disbanded by the national executive after the farmers accused the labour section of being riddled with Communists and quit the party. In 1936 the B.C. provincial leader was expelled, and three members of the legislature left with him.

In Manitoba, two MLAs were suspended in 1945 following a vicious smear campaign by Winnipeg MP Stanley Knowles for being too close to the commies; one was later reinstated but expelled again, along with a third MLA, in 1949. **The Saskatchewan caucus pressured its leader, Woodrow Lloyd, to resign in 1970, partly because of his identification with the Waffle. At the time, Lloyd was Leader of the Opposition**.

In *Love and Solidarity,* his recent photographic history of the CCF/NDP, Cameron Smith carries on this tradition by referring to all leftists as Trots, and by heading a section on the expulsions as "pest control."

In her book on the CCF, *No Bankers in Heaven,* Olenka Melnyk writes that: "The ideological debates, expulsions, suspensions and disciplinary proceedings, which routinely went on in the party, were time-consuming and extremely damaging to its image."

It wasn't just people, but ideas that were often the source of trouble. At the party's 1950 federal convention in Vancouver, David Lewis went to the microphone to demand that pamphlets from the Socialist Party of Britain be removed from the literature table. A fight broke out and the offending literature was whisked away. Books by Marx and Engels were also banned, ironically by the party's education officer, Donald C. MacDonald, who became Ontario CCF leader three years later.

In the early 1950s, Lewis the Elder expelled the League for Social Reconstruction, a think-tank group, from the CCF while the party was considering its presentation to the Massey royal commission on culture. Lewis stacked meetings and drove out activists. One of them was Frank Underhill, principal author of the *Regina Manifesto*, which gave the CCF its ideological framework in 1933. Underhill quit the CCF over the incident, and in a parting shot described the party as "a sect whose leaders are mainly interested in maintaining at all costs their own authority within the sect."

The NDP has continued to stifle, discredit, isolate or expel its internal critics. When the left is sufficiently organized, as it was with Ontario's Campaign for an Activist Party in 1986, the party bosses feel compelled to smash it, rather than find a constructive role for its energy. By 1990, this had led to the virtual extinction of organized dissent within the NDP and the self-imposed exile of many of its left-wing members out of the party and into the social movements concerned about the environment, women's issues, peace, poverty or senior's issues, or into the labour movement. It also restricted the talent pool available to the incoming NDP government, because many of the best and brightest were either unwilling to align themselves with a Rae government, or were automatically excluded by those doing the hiring as known dissenters.

Many progressive New Democrats still carry a party card but are more comfortable working with single-issue groups they can contribute to, rather than bashing their heads against the brick wall of the NDP establishment. Not only are their energy and ideas more welcome elsewhere, but they enjoy the more supportive atmosphere. They are less likely to be the objects of attack by an insecure bureaucracy that feels threatened by the spectre of challenge and sees disloyalty lurking around every corner.

With rare exceptions, all debate inside the NDP is thought of as dissent, and all dissent must be eliminated. David Tomczak,* former head of the Metro NDP, says that the party brass "has internalized the need for complete control within the party so much they can't see new events. It's not a left-right thing; they're afraid of unleashing forces they can't control and might sweep them out.

"The one thing they've been good at," Tomczak says, "is killing the left. But by making everything left versus right, a test of the leadership, they've sucked the life out of the party."

(...)

"Giving Away A Miracle: Lost dreams, broken promises & the Ontario NDP"

George Ehring & Wayne Roberts (1993)

PART TWO
Toasting the Waffle

(All emphasis by the Web Ed.)

In 1969 the newly-formed "Waffle" group of left-wing New Democrats issued a manifesto "For an Independent Socialist Canada." In calling for Canada's economic independence, the Waffle's main themes were nationalism, anti-Americanism, and public ownership. The manifesto argued that economic independence was impossible without socialism. The Waffle excited many New Democrats and generated great interest and controversy inside and outside the party.

At the 1969 federal convention in Winnipeg, the Waffle manifesto was debated beside the aptly-named "Marshmallow Manifesto," a hastily drafted response by David Lewis and former Waffler Charles Taylor. Though the Waffle motion was defeated by almost a two-to-one margin, it shaped the focus of future economic discussions in the NDP for years to come.

Early in 1970, the Ontario Waffle issued its own manifesto, which criticized international unions for being part of the continental problem that prevented Canada from pursuing an independent economic course. For key labour leaders, this criticism was unforgivable, since it was the international Autoworkers' and Steelworkers' unions in particular that formed the backbone of the NDP's labour support. When the Waffle got directly and very publicly involved in support for workers during the closing of the Dunlop rubber plant in Toronto, the labour brass was furious. Labour's understanding with the party had always been that the NDP stayed out of labour's street battles, except when party leaders were invited to appear on picket lines.

The Waffle had not contested the party leadership at the 1970 Ontario convention where Stephen Lewis replaced the retiring Donald MacDonald. warrie (wary) delegates concentrated instead on policy resolutions and promoting their own manifesto. On the Saturday of the convention, a standing vote on approval of the Ontario manifesto was apparently inconclusive, and the party leadership ordered a ballot vote the next day. According to historian Robert Hackett: "Many delegates and at least one MPP approached *[United Auto Workers head Dennis]* McDermott to help halt the Waffle's momentum... McDermott called a meeting of the UAW staff, who then reportedly instructed the 265 Auto Worker delegates to vote against the manfesto on Sunday. They probably made the difference, as the manifesto lost by a 744 to 628 count."

Sensing that the party could not risk alienating his friends in labour, Stephen Lewis moved quickly to try to contain the Waffle and the youth movement in the party that supported it. At the same time, the Waffle realized that getting the approval for its more radical policies at conventions was not enough: it would have to challenge the leadership directly.

This Laxer did at the 1971 federal convention, taking on David Lewis. Graduate student Laxer forced the party's elder statesman to an embarrassing fourth ballot, eventually losing 1046 to 612. Along the way Laxer outdistanced MP Ed Broadbent, who had drafted parts of the *Waffle Manifesto* but then refused to sign it, and Ontario provincial secretary John Harney.

The Waffle fielded six candidates in the 1971 Ontario election, one of whom was Steve Penner. The Penner family has a long history of activism and its links to the Communist Party made NDP officials very nervous. Penner came within 38 votes of victory in Dovercourt riding. Relieved at his defeat, the NDP never asked for a recount.

Shortly after the election, and just two days before the Ontario Federation of Labour's fall 1971 convention, Wafflers issued a pamphlet called "A Socialist Program for Canadian Trade Unionists." It lambasted the union brass, saying that big labour had become "a major institution buttressing private corporate enterprise." It called for "completely sovereign and independent Canadian unions." Union leaders began to call for the expulsion of the Waffle. Several labour heavies, including CLC president Donald MacDonald (not the former NDP leader), its secretary-treasurer, and the Canadian director of the Steelworkers' union all belonged to the Canadian-American Committee, an anti-nationalist group that promoted greater economic integration between Canada and the United States.

In January, 1972, the Waffle Labour Caucus sponsored a conference in Windsor on the Auto Pact. The conference had the support of the Windsor labour council, and though the NDP did not formally endorse it, both Ed Broadbent and provincial labour critic Ted Bounsall spoke at the event. (Incidentally, Bounsall may have been the worst-dressed man in the history of the Ontario legislature. The trousers of his brightly-coloured polyester suits were always several inches too short, apparently the result of shrinkage when his wife at the time would get annoyed and throw them in the dryer.)

Hundreds of area workers showed up to discuss the threatened Auto Pact and its impact on their jobs and community. The conference was praised by the Windsor mayor and by the Windsor Star. McDermott refused to attend. The meeting criticized the UAW approach of lobbying and letter-writing as too bland, and called for a one-day work stoppage by Canadian auto workers. McDermott went nuts. This was the straw that broke the camel's back.

It is important to note that many labour activists supported the Waffle, despite the unease of the labour leadership. The Waffle's labour caucus received official labour support for events like the Windsor conference, and drew important party speakers to its functions. The rank-and-file did not turn on the Waffle as the labour brass did.

At the NDP's provincial council meeting in March, 1972, Stephen
Lewis accused the Waffle of being "a party within a party" and got approval for a committee, made up of the party president, its treasurer and Lewis aide Gerry Caplan to study the Waffle. To no one's surprise, they reported six weeks later that the Waffle was "a direct and fundamental challenge to the whole structure, direction, purpose and leadership of the party." They accused it of violating the party constitution, of "messianic fundamentalism," and of hurting the party's chances in elections — but the report fell short of calling for kicking it out.

That wasn't good enough for the labour brass. At the beginning of June, McDermott, Ontario Steelworkers' head Lynn Williams and OFL president Bill Mahoney met with the father-and-son Lewis leaders and used the ultimate weapon to force their hands: money. They told them, according to the *Hamilton Spectator,* **that "unless the Waffle situation was straightened out the unions would withdraw their financial support in the next federal election." The** *Spectator* **concluded: "Suddenly the issue was not whether the NDP could afford to lose the Waffle but whether it could afford to keep it."**

Steelworkers' organizer Bob Mackenzie, now Minister of Labour in the Rae government, wrote in frustration to David Lewis that he was "unhappy, angry, and more than a little disgusted with your arm-twisting in favour of Waffle compromise."

The Waffle began to back off. In May it admitted that it had misused the party name, promised not to do so again and to seek party endorsement for any of its public activities. Historian John Bullen wrote in the *Canadian Historical Review* in June 1983 that "the group retracted its more severe criticisms of the unionists and pledged to lobby publicly for support of resolutions only immediately prior to conventions." This was what the party was looking for, but it came too late.

The final showdown dawned at the June 1972 provincial council meeting in Orillia, the sunshine city where the sun set on the Waffle. Council debated a motion from Riverdale riding presented by Ed Broadbent, but secretly written by historian Des Morton, essentially calling for the Waffle to disband. Morton's personal correspondence, which he provided to a student in the 1970s, makes his involvement clear, although in his books on the NDP in that period Morton never acknowledges his role in this event.

Bob Mackenzie, who had been defeated by Laxer for a spot on the federal executive the previous year, came up steaming, and screamed at Laxer that he would receive a "lesson in gutsmanship today." Stephen Lewis said he wanted "to fight for a free Canada, but without the Waffle forever an encumbrance around my neck." By a vote of 217 to 88, the Waffle was toast.

What Lewis felt at his neck was not a Waffle albatross, but the sharp knife of the labour brass. He told author Terence Morley years later that "there was an unstated ultimatum from the trade union movement, which weighed very heavily on the party leadership....It was terrifying that the trade union movement should be threatening to tell the party to shove it, that they weren't going to continue to be a part as long as people like [economist Mel] Watkins and Laxer called the shots." He said that Lynn Williams refused any notion of compromise and treated him like he was Inco *(the US-owned nickel mining giant --Ed.)* management.

The refusal of the party to accept the Waffle's deathbed repentance shows that it was its politics, not its structure, that unnerved the leadership. Also, the party clearly felt it had no choice but to heed the demands of the labour brass in going the limit with the Waffle.

The left did not immediately die with the Waffle. Many Wafflers did leave the party in disgust, particularly the Laxerites, some of whom formed the Movement for an Independent Socialist Canada (MISC). Those who stayed were among the Waffle's more revolutionary elements, those who hated social democrats but felt it was right to revolutionize the NDP from within. After deciding to stay in the NDP, one group — which idolized French revolutionaries — chanted for a full twenty minutes, "Ce n'est qu'un debut, continuons le combat!" *[it's only the beginning, let's continue the struggle!"]* The same group jokingly referred to themselves as the "rope caucus" after Lenin's famous statement that "we support the social democrats like the rope supports the hanging man."

(…)

At the 1975 convention, a pamphlet entitled "For a Radical, Revitalized NDP" was published by a number of prominent NDPers. Among the supporters were current federal leader Audrey McLaughlin, Ontario treasurer Floyd Laughren and a number of other MPPs.

Noting that "there is clearly a difference between government and power," the document said that the NDP must first develop a mass base, or even an elected government would be powerless. "Where we have tough, radical policies, shouldn't we unveil them now?" the document wondered. "And where we haven't isn't it time we did? It's not very honest, and it's not even good strategy, to wait till we've 'won' office." The document warned that: "If the New Democratic Party continues its drift towards moderation at elections and conventions — which has the effect of confusing us with Liberals — we shall disintegrate."

At this Stephen Lewis "went nuts," according to one backer. He demanded that they remove the document from the floor. The left was so cowed by the Waffle expulsion that they quietly gave in, and even tried to get back copies that had been distributed.

A "Left Caucus" emerged, but it soon became riddled with vicious infighting and factions. At times it was variously dominated by ultra-left Trots living in anticipation of the workers' revolution, or cautious progressives extremely wary about appearing to be a Waffle-like "party within a party." Denied any influence or practical involvement, it degenerated into a rumpus room for sectarians. Left Caucus, the very name of which insults the leadership of a party that considers itself left-wing, has endured from the mid-1970s, but today is nothing more than a tiny group of disgruntled New Democrats.

One of the important legacies of the Waffle expulsion was that many of the NDP's left-wing activists quit the party, and it has suffered the Iack of their ideas and energy. At the same time, many of the left-leaning intellectuals who resigned went into or returned to academic life, where they were cut off from direct contact with workers. The culture of the left, the relationship between left intellectuals and politics, was seriously hampered by the expulsion.

Another key post-Waffle legacy has been that the left often feels a need to be conspiratorial and secretive about its organizing and actions, being careful not to appear to be "a party within a party." The Left Caucus has a mailing list and produces a newsletter, but — especially in the immediate post-Waffle days — was very careful not to sponsor events in its own name or to seem to be acting independently of other "legitimate" party bodies.

Equally important is the fact that the party leadership has been paranoid about dissent and is more anxious than ever to nip any organized left in the bud. Since the days of the Waffle, only token representation by the left wing has ever been allowed onto the party's committees. The Waffle's success, and the reaction it caused, gave party heavyweights the ammunition they needed to shoot down all subsequent organizing on the left, a tradition that still continues — with vigilance.

Another legacy is that since the expulsion, the party has never been able to build a vibrant youth wing.

For its part, the left never learned to use the strength of its numbers to negotiate representation. No way was found to have a serious dialogue with the party, and the post-Waffle left generally remained on the sidelines, reduced to the occasional strong showing at convention. Eventually it all but disintegrated.

Susan Teskey, a former party activist, sums it up this way: "The only time in party history when I recall excitement was the Waffle. They not only threw out the best and the brightest, but also served notice to anyone bursting with new ideas that this was not the place to come. Twenty years later, the party is not identified with any cutting-edge ideas. They're paying the price until this day."

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Additional R.D. Website resources:
W2 Canadian Nationalism, 1969b: 1969-1974: Waffle Manifesto & Documents-INDEX
W2-Canadian Nationalism- 1971: The NDP & The Waffle (LSA document by Brock-R.F. adopted by Forward Group)
W2-Canadian Nationalism-1974m-1989: Waffle journals-- selected articles
W5-Canadian Labor Party- #9-1969-1974-Waffle: *Manifesto, New Democrat,* MISC, Waffle documents & journals

"Giving Away A Miracle: Lost dreams, broken promises & the Ontario NDP"

George Ehring & Wayne Roberts (1993)

PART THREE: **1970-1981- Stephen Lewis Leaves His Legacy** *(Excerpts)*

(All emphasis by the Web Ed.)

(...) Under Bob Rae's leadership, there has been unity between the leader's office and provincial office, so the countervailing forces so essential to party democracy have diminished.

In 1978, recognizing it had missed the boat by failing to develop a coherent economic strategy, the party called for the establishment of a task force on manufacturing to do just that. In November, 1979, its report, *"New Directions for Ontario's Political Economy,"* **was produced. It represented one of the few times the party ventured into a detailed position on economics.**

The report condemned the high degree of foreign ownership of Ontario's manufacturing base and the high degree of manufactured goods imported into Canada. "The ownership structure of our industries has led to a system of production which is inefficient, vulnerable to foreign competition, imbalanced towards resource extraction, and weak in opportunities for new employment," the report said. "Without fundamental changes, therefore, the provincial economy will...continue to be afflicted with low growth, high unemployment, and a declining manufacturing sector."

The report also rejected the conventional elements of an industrial strategy. It suggested "improving competitiveness, liberalizing trade, relying on natural resource exports, switching to services in a 'post-industrial' society, and offering government incentives" — all of which were the hallmark of the right's economic strategy through the 1980s.

Its 10,000-word analysis called for more direct government involvement in manufacturing sectors: "Other governments have found it necessary to intervene in their national economies in order to ensure that strategic industrial sectors remain under national control and operate in the national interest." The creation of a Crown Investments Corporation was recommended as "...an essential instrument for making our economy less dependent upon imports of end products through encouragement of domestic industries that can be fully competitive in the manufacturing, resource and service areas." Improved use of efficient new technologies was encouraged as "...the major component of competitive advantage;" increased public ownership in the resource sectors, such as "the provincial equivalent of Petrocan in each resource area [which has a bearing on our manufacturing strategy]" was proposed, and economic and social planning "...in order for...the other tools which we have described to work effectively," completed the package.

The party's left wing criticized the document for not going far enough in calling for nationalization and greater public ownership. The left's most prominent economic analyst, Simon Rosenblum, argued that nationalization was necessary for the provincial government to acquire revenue to use as building blocks for manufacturing. "Given the acceptance of private ownership of major industry, the government has little bargaining power. It either plays ball with the corporations or finds itself faced with a corporate 'investment strike,' " he wrote in a personal critique of the report.

Though the report clearly identified the major problems of Ontario's manufacturing and resource industries and foresaw the direction of the corporate sector in the 1980s, perhaps its greatest flaw was its

failure to present an economic vision that hit home with working people. In missing the opportunity to detail "lunchbucket" economic ideas, the report failed to enhance the NDP's economic credibility. It played to people's fears of nationalization and greater government intervention without providing them with practical, alternative ideas that could capture their imagination. The left was equally at fault for its failure to present specific new ideas, and for its reliance on shopworn rhetoric. Debate between the party right and left centred on whether public ownership was "a tool" or "the tool" of economic reform. This religious "a-the-ism" dominated economic debate in the party for years to come.

Crafted into a resolution that passed at the party's 1980 convention, the manufacturing strategy virtually disappeared. The party never took the initiative to develop the specifics that would have made sense to working people. Here, at last, were a set of workable economic ideas, but they died the minute they passed into the resolutions book. It showed that if the NDP couldn't be revolutionary, it could, at least, be resolutionary.

* * *

Throughout the late 1970s, the NDP made occupational health and safety a major political issue. In what is perhaps his finest achievement, Stephen Lewis built this as an issue and kept it on the political agenda with his repeated exposes of unsafe workplaces and passionate speeches about injured workers.

Lewis's harangues, coupled with a famous wildcat strike over miners' safety at Elliot Lake in 1975, forced the Tories to move. Following a royal commission report on mining, in 1979 they introduced Bill 70, the Occupational Health and Safety Act. Behind the scenes in the Ministry of Labour, and heavily involved in the bill's drafting, was deputy minister Tim Armstrong. Armstrong was a former labour lawyer who had worked in David Lewis's law office, had often acted on behalf of the UAW, and as a result had close ties to OFL head Cliff Pilkey and Canadian UAW director Bob White. In addition to the health and safety bill, Armstrong also helped get automatic union certification after bitter strikes at Fleck, Radio Shack and Blue Cross.

Recognizing that stable industrial relations were a key to Ontario's prosperity, Davis hired Armstrong as deputy minister to make sure relations with the labour movement stayed smooth and never got too embittered. The Tories set up the Quality of Working Life Centre in the Ministry of Labour (...)
(end of chapter excerpts)

"Giving Away A Miracle: Lost dreams, broken promises & the Ontario NDP"

George Ehring & Wayne Roberts (1993)

PART FOUR: **1982-1985 - Mr. Rae Comes to Toronto**

(All emphasis by the Web Ed.)
(Excerpts)

(...)

With these changes taking place, the party's left wing realized it would have to mount a challenge to this centralization of power. **Early in 1982, many left-activists, most of whom worked on the Johnston campaign, formed a movement called "For a New Direction." It was process-oriented, rather than policy-oriented — a key shift for the left, which in the past had always addressed itself to debates over hard-line socialist content.**

New Directions was concerned primarily with issues of internal party democracy and attempts to reach out to the social movements. The group urged the party to "reach out and be accessible to our supporters and potential supporters: the co-op movement, the gay community, women, the disabled, youth, the unemployed and rank and file working people. We must turn talk into action and we must be there whenever and wherever we are needed."

Though it had the support of roughly a third of the delegates to the 1982 convention, all the candidates it put forward for party positions—with the exception of two who were also on the party's "official slate" — were defeated.

Following the convention, New Directions put together a proposal to eliminate party control over the provincial executive by abandoning the "official slate" drawn up by a select group of party heavyweights, replacing it with nomination by regional representatives at convention. The New Directions proposal would have guaranteed gender parity, assured fair regional representation, and introduced accountability of the executive to the membership.

It brought this idea to the 1984 convention, but Michael Lewis outsmarted New Directions by simply not pulling together the usual committee to draft the "official slate." He made up the list of candidates for office himself, after consultation with a few trusted party insiders. Snookered again, the movement quickly died.

New Directions was significant for more than the fact that it represented an important shift in focus for the left. It was also the first time a broadly-based left wing worked together following the expulsion of the Waffle. But once again, the party could not accommodate its ideas or its advocates.

In years to come, the party adopted an election process very similar to the one advocated by New Directions — but by then the left had splintered into toothpicks of dissent. The election process New Directions had proposed gave more power to the ridings and regions, but by the time it was implemented the left was powerless to take advantage of it — which was precisely why the party centre was prepared to accept it later.

* * *

The party's left wing had not entirely abandoned its commitment to policy development, however. In 1983, the party's Left Caucus devoted a great deal of energy to the preparation of a new manifesto for

the federal party. That year marked the 50th anniversary of the founding of the CCF, and the NDP was returning to Regina to commemorate the signing of the Regina Manifesto that launched the party.

Though they celebrated its proclamation, most New Democrats, and certainly the NDP leadership, had abandoned the principles of the famous manifesto and its determination to combat capitalism long before 1983. In particular, they no longer ascribed to its ringing second sentence, which read: "We aim to replace the present capitalist system, with its inherent injustice and inhumanity, by a social order from which the domination and exploitation of one class by another will be eliminated, in which economic planning will supersede unregulated private enterprise and competition, and in which genuine democratic self-government, based upon economic equality will be possible." Its concluding sentence could never have been written about the NDP: "No CCF government will rest content until it has eradicated capitalism and put into operation the full programme of socialized planning...."

For the convention, the party had drafted a new manifesto, called a *Statement of Principles.* **Unlike its 50-year-old counterpart, the new document was long on rhetoric and short on specifics. Critics pointed out that it even failed to mention public health care. It held to the notion of state planning, if not ownership, of the economy: "We reject the capitalist theory that the unregulated law of supply and demand should control the destiny of society and its members," it said. "Society can control its own destiny by planning its future."**

No longer looking to eradicate capitalism, the NDP now stood squarely for a mixed economy: "...socialists believe that social ownership is an essential means to achieve our goals. This means not simply the transfer of title of large enterprises to the state. We believe in decentralized ownership and control, including co-operatives and credit unions, greater public accountability, and progressive democratization of the workplace."

The left organized vigorously in opposition to the new statement, and proposed its own Left Caucus Manifesto ***as a replacement. This manifesto, drafted mainly by the authors of this book,*** *(in reality produced and distributed by the broadly-based functioning Left Caucus -- Web Ed.*)* ***presented a more traditional socialist analysis. It referred to social ownership as "the only solution," and proclaimed that "the half measures of a mixed economy dominated by big business cannot meet the challenge." It advocated sweeping government control: "New Democratic Party governments will replace corporate ownership with social ownership of the major firms in the manufacturing, resource, finance, transportation and communications industries. Only then can we plan for full employment, social equality and economic democracy." The manifesto neatly avoided a discussion of how the state would come to acquire these commanding heights of the economy.***

Neither document reflected an understanding of the environmental crisis that we face, particularly on a global scale, though both make reference to pollution and waste.

As a drafter of the *Left Caucus manifesto* and one of the caucus's leaders, Ehring was naturally helping organize the debate in support of the document. This got him into trouble with the autoworkers' union, which he had joined as a public relations officer a few months prior to the convention. First he had a heated shouting match with UAW chief Bob White's assistant, Buzz Hargrove. Then White told Ehring that he would not "speak for, lobby for, or vote for" the *Left Caucus manifesto* because "the union had decided to support" the party's statement of principles. Ehring's request to know when the union had made this decision, which White clearly regarded as impertinent and insubordinate, was answered simply with an angry "Do I make myself clear?" Ehring learned an important lesson in trade union discipline and saw first hand an example of how White mistook conformity for solidarity.

After one of the most memorable debates in the party's recent history — Rae spoke passionately in favour of the party's document — almost 40 per cent of the delegates supported the Left Caucus Manifesto. ***It was a stunning result, and undoubtedly the biggest showing the organized left had received since the expulsion of the Waffle a decade before. The vote showed the strength of the left and the widespread dissatisfaction with the direction of the party.***

Writing in the *Canadian Forum* **following the convention, editor John Hutcheson commented that: "The CCF was a cultural movement for equality. It is true that economic questions were central, but a movement that believed that a planned socialist economy would bring about justice, the end of exploitation, and international brotherhood, was a cultural movement which struck deep chords. The NDP still has within its ranks extremely able and dedicated people who have done much to humanize the society in which we live, but it does not now exhibit that sense of purpose."**

(…)

(End of chapter excerpt)

"Giving Away A Miracle: Lost dreams, broken promises & the Ontario NDP"

George Ehring & Wayne Roberts (1993)

PART FIVE: **1987-1990 - The Lost Opportunity**

(All emphasis by the Web Ed.)

(Excerpts

(...)

Even sectoral agreements like the Auto Pact, vigorously supported by the party and labour, have only served to facilitate the Americanization of the Canadian economy. The NDP and labour have not seen U.S. ownership as a key issue in the Canadian economy, and the free trade debate did not alter that tradition.

Failing to present a lunchbucket economic alternative, New Democrats and labour abandoned the free trade issue to a simple question of whether the Liberals or NDP were its more credible opponent. On this score, the Liberals won hands down. It is no surprise the NDP had no credibility on economics.

Both in opposition and as provincial governments, the NDP has shown itself to be a paper tiger over free trade, unwilling or unable to combat the deal. It has been even less willing or able to expose the power of international capital. Though complaining that the Peterson government did little to thwart free trade, Rae's government has done even less.

* * *

The third lesson of the campaign showed itself in labour's new relationship with coalition politics.

Long before the campaign started, the Pro-Canada Network was making people aware of the perils of free trade. The coalition formed in 1985 in response to the trade talks, and included labour *(shop local leaders and rank-and-file –Web Ed.)* ***, churches, women's groups, seniors, peace activists and others. It became one of the largest political coalitions in Canadian history. The labour movement played a key role in the Pro-Canada Network, partly as a cash cow, partly because of its organizational expertise, and partly with its economic research staff.***

Perhaps because working people had so much at stake, the labour movement was front and centre in anti-free-trade coalitions, and was happy to participate beside other movements that broadened the critique. Free trade would not affect just workers, it would weaken social and cultural institutions, and labour wanted to fight with these elements to show that its interests were not purely self-serving.

With this experience through the late 1980s, labour lost some of its disdain and suspicion of coalition politics *(i.e, "united front" politics, in which labor plays a leading and independent role – Web ed.)* Labour leaders also came to realize that this was where much of the political action was. By acting as patron and benefactor, organized labour also exerted control over elements of the coalition. Some groups were more cautious than they would have otherwise been, or more readily accepted labour's line because they depended on organized labour for their funding or office space.

In his analysis of the NDP campaign, discussed in detail below, CAW president Bob White* talked about coalition politics. "Within the federal caucus and the full-time officials of the Party," he wrote, "there is a suspicion of the social movements. They are viewed as including many small-1 Liberals, with no loyalty to electing a social democratic government, and to some extent as being in competition within

the NDP for the leadership on certain progressive issues. All of these points have some validity. But they are also beside the point. *(*White had by now played a leading role in taking the Canadian Auto Workers union out of the UAW – See his 1988 autobiography "Hard Bargains: My life on the line [M&S] – Ed.)*

"The organization and energy of political mobilization at ALL levels is fundamental to taking on the establishment in this country. If many of the activists in these movements are not yet supporters of the NDP, that's not a problem but a challenge...."

White wanted the party to respect the movements' independence, and to build a complementary relationship with them by holding talks before determining its positions. "The more the NDP views itself as a *social movement,* rather than just an electoral machine, the easier this will be," he said.

White even went so far as to advocate that the NDP establish a "campaign committee" to facilitate participation by New Democrats in social movements, and to help bring about "some co-ordination and joint actions." (Though this is exactly what Ontario's Campaign for an Activist Party had suggested with its "campaigns department" two years earlier, the CAW under White's leadership was among those actively involved in smashing CAP.)

Following the 1988 campaign, others in the labour movement expressed similar support for coalition politics. Officially, labour was coming on side. While the labour movement never saw its own independence fettered by participation in broad-based coalitions and continued to act, organize, and speak out on its own behalf, labour also saw the benefits of broad, coordinated efforts. Labour leaders were finally seeing the value of working with the movements.

* * *

The final important result of the 1988 campaign was the labour leadership's unprecedented public criticism of the party. Many labour leaders and working people felt the party sold them out. They wanted and expected the NDP to be front and centre in its opposition to free trade, and when the party low-balled the issue, they were infuriated.

In particular, the labour establishment was eager to scapegoat the three campaign directors, Robin Sears, federal secretary Bill Knight and Broadbent's chief of staff, George Nakitsas. Labour leaders felt these three had not consulted them and they blamed them — perhaps not entirely fairly — for allowing the focus of the campaign to shift from free trade.

In Ontario, the rift provoked a serious falling out between Rae and Sears, as the leader came under pressure from his labour friends to dump Sears.

The two most public critics were White and Gerard Docquier, national director of the Steelworkers' union.

One week after Mulroney was re-elected with a majority (Conservative) government, White sent a seven-page letter entitled "Lost Opportunity" to NDP officers and executive members. His letter quickly found its way into the newspapers. Many party loyalists found his public remarks traitorous.

White wrote as a vice-president of the federal NDP, and as chair of the Canadian Labour Congress' political action committee. He said that the party "never really came to grips with the importance of free trade...," and that the results and strategies of the campaign "are so disastrous that they warrant a full debate within the party." He said: "I've never seen such a level of disappointment and anger among our activists, leaders of the labour movement and candidates..."

He complained that the party gratefully accepted labour's money and people during the campaign, but that "its ideas and leadership are completely ignored."

White made no attempt to conceal his anger. "There are a lot of people inside the NDP who must make up their minds," he said. "Are we going to be a party that tries to finesse our way through, with the thought that we will be a serious contender for the government of Canada, or are we going to be a party that clearly knows the importance of representing working people, that recognizes the importance of the labour movement, not just for its financial support, but for its ideas, and its leadership, as an important part of the success of the NDP. We need to have a long, hard discussion about our future."

A week after White's letter, Steelworkers' national president Gerard Docquier wrote a 14-page letter to the CLC executive council with much the same message. Party stalwart Michael Lewis, a member of the Steelworkers' staff, told *Our Times* editor Stuart Crombie that he wrote the letter on Docquier's behalf. It certainly has the mark of a party insider, and coming from the loyal Lewis, it is a revelation.

"The NDP's failure to play a significant role in the national debate over free trade that was carried on in the campaign was a betrayal of everything that a social democratic party is supposed to stand for in Canada," the letter said. "It is inconceivable that any serious political strategist in Canada could believe it possible to avoid the free trade issue during a seven week election campaign.

"Putting it simply, we didn't campaign in this election. We conceived a (highly suspect) plan. We carried it out. And when it came unglued, we were incapable of responding effectively or appropriately."

He suggested that the impact of the campaign on the relationship between the party and the social movements would be long-lasting. "To use a military analogy for a moment," he said, "the social movement against free trade — dominated by the trade union movement — organized the troops, bought them their uniforms, gave them their marching orders and lined them up — and then the NDP ducked down a side street and left them there. The sense of betrayal of that coalition by the NDP will be very hard felt, extremely bitter, and will take a very long time to go away."

He speculated that "it may be necessary in the future for the trade union movement to fight election campaigns on two fronts. It may be necessary to include single-issue campaigning as an explicit part of the strategy of both the trade union movement and the NDP."

Provoked by the open dissension of such key supporters, the federal NDP put in place an unprecedented review committee, which toured the country. Bob White sent another submission to the committee, acknowledging that "had some of us not expressed our concerns in the manner we did about the last election, we would not even have had this committee."

White's statement touched on a number of themes: the expansion of extra-parliamentary politics in Canada; the need to work with the social movements; the need to turn the party into an organization of creative debate and education; the need to admit that Quebec is a nation within Canada; and the need for the NDP to develop an economic program. These were all things that the party left had advocated for many, many years.

In his conclusion, White rejected the idea that the NDP could gain success by moving to the middle of the road, which he described as "the best place to get hit by trucks coming from both directions."

"As a 'realistic' electoral strategy, this holds no promise," he said. "It blurs the distinction between the NDP and the Liberal [party], inviting voters to stay with the Liberals if they want 'moderation' and inviting the Liberals to make its own pragmatic shift if the NDP makes some inroads.

"Furthermore, the name of the game is not simply to achieve electoral success. It that was our goal, we wouldn't be in the NDP but would find a much easier way to be on the winning side. You cannot sneak in the back door when you want basic change: our enemies won't be fooled; our friends will be confused. The name of the game is to win power for a specific purpose: to carry out the party's program and build a fundamentally different society."

The party's review committee was a glorious opportunity to evaluate where the party was headed. The great number of submissions it received indicated party interest. When their deliberations were over, the committee submitted a report to the party's federal council.

The report was nothing but a shopping list of bureaucratic recommendations about process and committees, that were, as one insider put it, "anything but substance." For this reason, the report was initially rejected by the council. Then, when attention turned to the leadership race, the council approved the report and quietly put it on the shelf.

* * *

Before leaving the federal election, we cannot let the criticisms by White and Docquier pass without remark. Both of their critiques are substantively accurate. But they also cover up their own roles in the campaign.

Though neither of the labour leaders was among the small group making day-to-day campaign decisions, they cannot have failed to notice that the party started low-balling free trade long before the election was called. The shock and dismay they express over the party downplaying its opposition to the trade deal does not correspond to the influence they have in the party nor to their close relationship with Ed Broadbent.

Furthermore, both the CAW and the Steelworkers *(the international union with its HQ in Pittsburgh -- Web Ed.)* are guilty of playing down the politics of the campaign in their own messages. White took considerable pride in the fact that in October, 1987, his union spent $392,000 to publish a two-page ad opposing free trade in 44 daily newspapers across Canada. It was later turned into an eight-page booklet for CAW members. The ad and booklet did not once mention the New Democratic Party. They did not accuse the Liberals of being dishonest in their opposition. They did not suggest that working people should vote NDP to oppose the deal.

The Steelworkers' union sent a letter to all its members near the start of the campaign. The original draft of the letter contained a political message that the Quebec director of the union objected to. As a result of his objection, the union dropped the politics from the letter — to both its francophone and anglophone members. The letter that went out made no mention of the NDP.

The party's two most public labour critics, and others, had themselves been responsible for messages that were politically non-partisan. While publishing good anti-free-trade information, they drew no distinction between the Liberals and the NDP on the issue. The CAW's and Steelworkers' own anti-free-trade information helped prepare the ground for the Liberals to usurp the trade issue.

Though this issue was mostly federal in its jurisdiction, its key players were part of the Ontario NDP establishment and their views were important for the party. As the economy slumped further at the time when the New Democrats came to office, partly as a result of free trade, the Ontario NDP government did little to combat either the impact of the agreement or of U.S. ownership of the economy. Its lack of economic alternatives became increasingly apparent, and labour had little to offer.

Appearances are Deceiving

(Liberal Premier) **Peterson made symbolic gestures against free trade. In June, 1988, his government introduced three bills that flew in the face of the trade deal. One gave Canadian companies preference when the province licensed health facilities. Another allowed Ontario Hydro to export power only if it was surplus to Canadian needs. A third supported Ontario's wine industry through a surcharge on imported wines. In November that year, the Liberals introduced legislation making it illegal to ship large quantities of water out of the province without specific permission.**

But for all his talk prior to the 1987 election, Peterson did little about free trade once the deal came into force at the start of 1989. His appearance as an opponent of free trade — and his lack of action on the issue later — mirrored his government's approach to other issues.

(...)

(to end of chapter excerpt)

In Search of a New Left (1996)
Canadian Politics after the Neoconservative Assault

James Laxer (1996)

CHAPTER 7
THE WAFFLE: A CHILDREN'S CRUSADE

(All emphasis by the Web Ed.)

THIS is the story of a children's crusade which subjected Canadian social democracy to the most wrenching internal debate in its history. As the New Democratic Party faces the possibility of a radical realignment in the 1990s, a look at the Waffle episode could shed some light on how social democrats have handled, or perhaps mishandled, fundamental internal debate in the past.

It was unavoidable that the ground on which David Lewis had placed Canadian social democracy in the 1950s would be contested by the new political movements that emerged in the 1960s. During that tumultuous decade, the American civil rights movement, the Vietnam War, the rise of Quebec nationalism and mounting anxiety about American corporate control of Canada had an enormous impact on Canadian society and politics. It was an era of youth politics, rebellion against established society and anarchistic rejection of the norms of the political process. These profound developments had little effect on the NDP for much of the decade, although the questions involved were not unnoticed, and they were debated at party conventions. **It was not until the end of the sixties that the full force of the new left politics of the period collided with the thought and political style of mainstream social democracy** *(a reference to the appearance of the* Waffle Manifesto *in 1969 which in addition to the radical anti-Vietnam war campaigns in the mid-1960s, built on mounting anti-nuclear arms protests, solidarity with US Blacks and defence of the Cuban Revolution dating from the late 1950s -- Web Ed).*

Before the spring of 1969, the Canadian new left, which was heavily influenced by radical movements in the United States, was only loosely connected with the NDP. This changed dramatically with the formation of the left-wing and nationalist Waffle movement, which brought the concerns of the new nationalist left to the NDP in the form of a manifesto. The movement (which acquired its strange name because a participant at an early meeting is reputed to have said: "I'd rather waffle to the left than waffle to the right") came together out of the conviction that Canadian social democracy was badly out of date on important issues, particularly the issue of the American control of Canada. When Gerald Caplan and I convened a meeting in the spring of 1969 involving about a dozen people in Toronto, our main motivation was to discuss the position the NDP ought to take on American domination.

Over the preceding decade, the question of American corporate, and even political and cultural, control of Canada, had been emerging as a major concern in English Canada. In the Conservative Party, John Diefenbaker's nationalist crusade in the election campaigns of 1957 and 1958 harkened back to the nationalism of Sir John A. Macdonald, but also pointed toward the new nationalism of the sixties and seventies. In the Liberal Party during the late fifties and the sixties, Walter Gordon developed the case for economic nationalism, documenting the extent of American corporate control of Canada and warning of the threats it posed. But while the new nationalism in English Canada was very much a phenomenon of the centre and the left, it was nonetheless profoundly influenced by conservative thinkers such as George

Grant, Harold Innis and Donald Creighton. In 1965, philosopher Grant wrote *Lament for a Nation,* a seminal work on Canada's relationship with the United States, and galvanized a generation of Canadian nationalists.

The work of political economists and historians such as Harold Innis and Donald Creighton, dating back to the 1920s, had a powerful impact on the new scholarship of the 1960s in political economy. Political thinkers and economists such as Cy Gonick at the University of Manitoba, Charles Taylor and Kari Levitt at McGill, and Mel Watkins and Abe Rotstein at the University of Toronto were contributing ground-breaking work on the economic and political domination of Canada by American corporate capitalism. Taken as a whole, this body of work analysed the limitations of the U.S.-dominated branch-plant economy in Canada and exposed the extent to which Canadian sovereignty had been undermined by the American economic takeover.

If the youthful left was influenced by the new currents of nationalism in English Canada, it was also shaped by the worldwide youth culture and radicalism of the era, particularly its American variety. This American version of the new left arose as a consequence of a complex interplay of forces in a volatile historical period. In its narrowest and most political sense, it encompassed movements that arose to struggle for civil rights for American blacks, to oppose the Vietnam War, and to agitate for democratic reforms in the governance of American universities. Beyond these political points of concentration, however, there was a much wider rebellion of American youth against the status quo. The youth culture, with its music, drugs, sexual mores, alternative lifestyles, and with its critique of the drudgery of middle-class work and life, had great political importance, without being overtly political. While there is characteristically some form of youthful rebellion against established values in every era, the youth culture of the 1960s was so widespread, and so open to the values and ideas of the oppositional political movements of the time, that it resulted in a high degree of social polarization.

To a certain extent, the youth revolt of the 1960s and early 1970s had an impact on all parts of the political spectrum. Canadians were on the receiving end of a large-scale transmission of American youth culture into Canada. While much of this was apolitical, American civil rights activists and thousands of American draft dodgers and deserters brought American struggles north of the border, and for much of the 1960s, youthful Canadian political activists took up the American-centred struggles as though they were their own. The same placards and slogans were used at Canadian protests against the war in Vietnam as in the United States — almost as if there was no distinction in the minds of the demonstrators between the two countries *(it was left to the small but growing Trotskyist movement to pioneer the slogan "End Canadian complicity in the Vietnam War" which became recognized as the central mobilizing call of the mass antiwar movement in the 1970s -- Web ed.)* Youthful activists sought to politicize the poor in community-organizing programs that were replicas of programs south of the border — as though Canada had no political traditions or unique social characteristics and values *(for a partial documentation on the Canadian youth movements see the YS-LJS {W17} section of this website -- Web Ed).*

The Americanization of the Canadian new left meant that for a considerable period of time, youthful radicals in English Canada had little to do with the NDP, despite the existence of a powerful Canadian social democratic tradition. From the mid-1960s on, however, a nationalist tendency developed within the Canadian new left, and it was only a matter of time before this strain of youth radicalism encountered the NDP in a serious way *(meanwhile many youth, including high-school and working youth, and not only Marxists, were subjected to expulsion from the NDP for their activities within and outside the party -- Web*

Ed.)

That is exactly what happened in 1969, when the Waffle assembled. While those who made up the initial group were NDP members, including some of long standing, the Waffle membership within the party and across the country was drawn mostly from the young and the university educated. Numbering about a dozen people at the start, the conclave initially included future NDP leader Ed Broadbent, University of Toronto economist Mel Watkins (author of the 1967 *Watkins Report on foreign ownership*) and Gerald Caplan, a long-time NDP activist, who was a close personal friend and political ally of Stephen Lewis, soon to be the leader of the Ontario NDP.

At the first meeting, we decided that the best way forward was to write a statement setting out the key ideas that had drawn us together. I wrote the first draft of what was to become known as the *Waffle Manifesto*, and after a second meeting Mel Watkins was given the task of producing a second draft. Gerald Caplan wrote the third and final version.

Entitled "For an Independent Socialist Canada," the *Waffle Manifesto* was first and foremost a call to recognize the serious threat posed by American corporate and political domination of Canada. The *Manifesto* argued that Canadian independence could be achieved only through a socialist strategy. Public ownership of large-scale corporate entities, particularly in the resource sector, would be needed to assure Canadian independence and to reverse the growing problem of foreign ownership of the Canadian economy. The analysis that led up to these statements was characteristic of the thinking of left-wing Canadian nationalists of the period. Canada's problem, according to this view, was the domination of the country from the outside — by American capital. For a youthful left, in the era of the Vietnam War, reversing the American ownership of key sectors of the Canadian economy took on an aura of immense moral urgency. To struggle against American control of the Canadian oil and nickel industries was to join a worldwide resistance to American militarism and imperialism. The resulting advocacy of widespread public ownership was not dissimilar to the CCF's *Regina Manifesto* of 1933, but the rationale was entirely different. The problem of foreign ownership of the Canadian economy had scarcely been mentioned in the *Regina Manifesto,* and if any concern had been expressed about external domination of Canada, it was the British Empire that had been singled out, not the United States *(as many of Waffle's economists have subsequently pointed out, the pre-WW2 American economic takeover was not as visible or recently and culturally distinct as the British connection -- Web Ed.)*

The second great issue dealt with in the *Manifesto* was the relationship between English Canada and Quebec. It acknowledged the rising tide of Quebec nationalism as a legitimate force and it proposed an alliance between the two nationalisms on the northern half of the continent.

In two distinct ways, therefore, the *Waffle Manifesto* parted company with the social democracy David Lewis had been fashioning. First, it put public ownership back on the agenda as the most important way to counter the control of the economy by U.S.-owned multinational corporations. And second, the *Manifesto* went beyond the NDP's recognition of Quebec as a "nation"— a recognition that had already led to serious divisions in the party with those who thought that was going too far — to the assertion that Quebec had the right to "self-determination" — that is, the right to secede from Canada if it so chose. *(A singularly enlightened policy highlighting the youthful Waffle's profoundly democratic -- even Leninist -- instincts, to its great credit -- Web Ed).*

To the leadership of the NDP, which had been carefully crafting its own version of social democracy,

designed to win votes and hold the allegiance of a labour movement still dominated by American-based unions, the *Manifesto* and the Waffle group posed an alarming threat. Moreover, the leadership of the NDP did not have a clear idea of the exact nature of the threat it faced. Particularly in the 1940s and 1950s, David Lewis had led the fight in the CCF against communist infiltration of the party* and, more importantly, against communist factions inside the trade union movement. At times, those struggles had been extremely acrimonious, as in the case of the battle against the communist leadership of the Mine Mill union in Sudbury, Ontario in the 1950s. In that conflict, the CCF leadership aligned itself with the United Steelworkers of America in its bid to oust Mine Mill as the union representing the nickel miners at Inco. One consequence of the bitter struggle, which the Steelworkers won, was a division among the left in Sudbury that did not heal for at least a generation.

*(*more precisely the sustained Trotskyist entry as a long-term non-split tactic with a strategic policy of unconditional support; the 'communist' Stalinist CP playing a passive deep-entry role vs. Trotskyist promotion of public 'socialist' and 'left' caucuses – Web Ed.)*

The leaders of the NDP and of the international unions saw in the Waffle a threat that bore some resemblance to that formerly posed by the communists. The fact that some, although not many, of those in the Waffle group were sons and daughters of former communists, was seized on by some as evidence of a communist connection. (My father, for instance, was a member of the Communist Party until 1956, when he and many others left in revulsion following the Soviet invasion of Hungary and upon learning of the crimes of Stalinism. The fact that I was fourteen years old at the time and was never a member of any communist-related organization myself, did not free me from the taint of communism in the eyes of some NDP and trade union leaders, who were inclined to see communism as a genetic disorder.) The leadership of the NDP had had a long experience of being on guard against communist and Trotskyist infiltration, and they had a not inconsiderable history of expelling those seen as representing these alien ideologies. This could not help but condition the way the Waffle was seen.

In fact, in many important respects, the Waffle spoke for a political movement that was the ***antithesis*** *(emphasis by the Web Ed.)* of the communists and Trotskyists. True to the spirit of the new left radicalism of the sixties, the Waffle leaned in the direction of an anarchistic style of democracy. Far from being a centralized organization with a highly developed sense of political discipline, the Waffle was open to anyone who was a member of the NDP. During the time that it was a group inside the party, a wide range of party members, with diverse views, attended its meetings. Decision making in the Waffle was far more chaotic than in the bureaucratized mainstream NDP precisely because anyone, with any point of view, could insist on being heard, often at considerable length *(but in spite of presenting the supposed 'antithesis' of communist or Trotskyist politics, its lack of Marxist democratic centralism sadly condemned it to a lack of coherence as well as organizational resistance to the NDP leadership's -- and above all, the labor brass's -- attacks -- Web Ed.)*

The *Waffle Manifesto* became the main issue at the 1969 NDP federal convention in Winnipeg. The convention polarized into two warring camps — the party establishment, led by David Lewis and the top leadership of the trade unions, and the Waffle group. The clash was as visible in terms of lifestyle and culture as it was in the sense of political differences. Young, long-haired and often bearded Waffle supporters could be seen racing from one workshop session to another, being pursued by older, and often paunchy, trade union delegates. The race to pack meetings to produce majorities on specific issues quickly generated hard feelings on both sides *(but it earned the enduring respect for Waffle's dynamism such that it*

was the NDP's most successful dissident tendency, and could have remained so had it so chose, after being ordered to "dissolve" -- what: it's formal existence only! -- while there had been a long previous history of CP and Trotskyist 'orientations' -- 'infiltration' --Web Ed).

Many of the young Waffle supporters slept in sleeping bags on the floors of crowded hotel rooms. Among the older delegates, there was often the sentiment that their party had suddenly come under assault by a large, unruly throng who lacked respect for established ways of doing things and had not sacrificed themselves for the organization. The strongly entrenched party establishment had never seen anything like the Waffle before *(although they had weathered the "CAP" invasion of youth conventions and weathered various delegates' revolts at conventions over the years, not to speak of sustained "Left Caucus" campaigns and internal newsletters, at times garnering significant rank-and-file support -- Web Ed).*

The convention ended with the *Waffle Manifesto* receiving the support of one-third of the delegates. The other two-thirds voted for a statement on the same set of issues, drafted by the party leadership, that was known ever after as "the marshmallow." Despite this disdainful depiction, however, the statement echoed many of the themes of the *Waffle Manifesto*. On paper, at least, the NDP had moved further than ever before in the direction of the left nationalist analysis of the Canadian political situation, at least partially endorsing its prescriptions for dealing with American domination of Canada.

The Winnipeg Convention proved to be a mere opening round in the conflict between the Waffle and the party leadership. When Waffle supporters met at the end of the convention, they were ecstatic about their success in drawing national attention to their cause. While they hadn't yet worked out the details, they decided to continue to meet and function as a group within the NDP — a decision that was to prove fateful, both for the supporters of the *Waffle Manifesto* and for the party as a whole. This was particularly true in Ontario and Saskatchewan, the two provinces where the Waffle group was to be most strongly entrenched. The decision to continue as a political entity, indeed to progress to a higher level of formal group organization, was bound to spark antagonism among the party's leadership and from many rank-and-file party activists. In part, this was because there has always been a history of sects and schisms within socialist and social democratic parties. The example of the battle with the communists, and the pesky struggles they had had with small Trotskyist organizations, was very much in the minds of party leaders *(and justifiably so, because of the broad appeal of Waffle's nationalist demands which, employing Trotskyist strategies, could have survived just as Left Caucuses did for many years following enjoying significant support at conventions – see the* Left Caucus Bulletin f*iles on this site – Web Ed.)*

But to those who knew anything about the history of the left, it should have been perfectly obvious that the Waffle was not a threat in that sense. The communist and Trotskyist sects were conspiratorial in their operations, their adherents maintaining a secretive internal discipline, not so much as acknowledging to others that they even belonged to the sect. In marked contrast, the Waffle was notoriously and flagrantly open in everything it did *(alas, proven 'childlishly' oblivious to the victimization it would later suffer -- while as 'adults' they would have taken appropriate basic defensive steps which precisely meant --first, 'internal discipline,' and second, the necessary 'conspiratorial' means to protect their political intervention against the NDP/labor fakers' conspiratorially hatched witch-hunts -- Waffle's exuberance being check-mated by undeclared and conspiratorial NDP and union tops' caucusing -- Web Ed.)*

In both Ontario and Saskatchewan, and to a lesser extent in other provinces, the Waffle established local groups in major centres. The provincial and local Waffle groups engaged in activist politics, both inside and

outside the NDP. Beyond the regular activities of the party, the Waffle mounted its own campaigns on public issues — the main ones having to do with countering American control of key sectors of the Canadian economy, particularly the resource sector. The Waffle played a highly vocal role in advocating public ownership of the major foreign-owned petroleum companies, campaigning for a public takeover of such companies as Imperial Oil *(all exemplary activities worthy of a leading role in the revitalization of Canadian labor politics, and proof of the dynamic potential of the national question in this country Ed.)*

These efforts actually had a significant effect inside and outside the party. While the NDP leadership had been negative toward advocacy of public ownership of major resource companies, public support of the Waffle campaign motivated them to change their position on this question in 1970. The Waffle's activities also encouraged other more mainstream nationalists to get involved. In 1970, the founders of the Committee for an Independent Canada (CIC) — Walter Gordon, Peter C. Newman and University of Toronto economist Abraham Rotstein — candidly acknowledged that they did not want to leave the nationalist terrain exclusively to the Waffle.

In retrospect, it is evident that the Waffle was only a part of a much wider movement in English Canada to assert Canadian independence from the United States, not only in economic matters, but also in terms of politics, the military, culture and intellectual life. It is not coincidental that the Waffle flowered at the same time that a new school of scholarship in Canadian political economy was burgeoning.

It was inside the NDP and particularly in its dealings with the labour movement that the Waffle was to come to grief. The leadership of the Waffle — and I certainly include myself in this — did not fully realize the extent of the trade union movement's growing antagonism. The group was aware that if they directly advocated the idea of independent Canadian unions, they would provoke the wrath of the leaders of the key international unions affiliated with the NDP. Despite pressure from other nationalists, this was a case where the Waffle actually exercised uncharacteristic caution. Rather than calling for independent Canadian unions, which would have paralleled its insistence on Canadian ownership of major corporations, the Waffle talked vaguely of "autonomy" for the Canadian sections of international unions. But this failed to placate key trade unionists like Lynn Williams of the United Steelworkers of America (USWA) and Dennis McDermott of the United Auto Workers (UAW)- Perhaps they understood, better than the Waffle itself did, the extent to which the Waffle's nationalist stance implied an inherent assault on international unions — even if there was no explicit provocation *(voilà, the deadly nature of the union bureaucrats -- 'international' but also 'national' business-unionist bureaucrats -- despite Waffle's perceptive tactic of not advocating separate Canadian unions, instead fighting for their autonomy -- which, in truth, would strengthen 'international' union militancy, not weaken it! -- an argument Waffle may have neglected -- Web Ed.)*

If the trade union leaders were gravely worried about the Waffle's nationalism, they were also deeply alienated by its manner of political activity. The Waffle was characterized by a youthful aggressiveness that was a commonplace feature of the radicalism of the era. While the Waffle certainly had coherent views and a leadership that knew what it was doing, it was rough around the edges.

The prominence of the Waffle inside the NDP increased in the year and a half following the Winnipeg Convention, largely as a result of the contest for the leadership of the federal NDP, which was decided at the party's convention in Ottawa in April 1971. After Mel Watkins, the best known figure in the Waffle, and Cy Gonick, the Winnipeg-based editor of *Canadian Dimension* magazine, both decided not to run, I was endorsed as the Waffle's candidate for the NDP leadership *(Laxer 'Junior' was thrust into the leadership as*

he should have been, and performed a vital role in rejuvenating the NDP -- Web Ed).

The campaign took place at a fateful historical moment, beginning in October 1970, just weeks after the Trudeau government had proclaimed the War Measures Act to deal with the "apprehended insurrection" that the government claimed was responsible for the kidnapping of British Trade Representative James Cross in Montreal, and the kidnapping and murder of Quebec's Labour Minister, Pierre Laporte. The great debate that followed established the context for the NDP leadership contest.

Federal NDP leader Tommy Douglas, who had announced his intention to step down as party leader, and David Lewis, the overwhelming favourite to succeed him, led the party's strong opposition to the use of the War Measures Act by the Trudeau government. At the time, the NDP's stalwart fight on behalf of the democratic and civil rights of Canadians won it few friends. The imposition of the War Measures Act was immensely popular. In the circumstances, the ability of Douglas, Lewis and other party leaders to keep the NDP almost entirely united in its opposition was a major achievement *(an achievement of the Left and particularly Waffle -- Web Ed).*

For the Waffle, the War Measures Act crisis brought to the fore the larger issue of Quebec's relationship to the rest of Canada. The *Waffle Manifesto* had depicted Canada as a union of two nations, English Canada and Quebec, promoting the view that the two required a close alliance if they were to be truly independent from the United States. The M*anifesto* was clear, however, in its support for the right of Quebecers to decide whether they wished to remain in Canada, and this became the fulcrum of the Waffle's campaign for the NDP leadership. While the NDP had adopted the view that Canada constituted "two nations" in its founding program in 1961, it had never gone so far as to assert the corollary, that Quebec had a right to national self-determination *(a historic kudo for the Waffle, being a unique achievement among world social-democratic parties -- Web Ed).*

When the Waffle outlined its views on Quebec's right to self-determination in December 1970, the effect was dramatic. At a convention held in January 1971, the small but politically significant Quebec NDP elected a new leadership and made the right of self-determination the centrepiece of its program. A series of all-candidates debates were held in many centres across the country during the months before the Ottawa convention. The campaign was soon polarized between David Lewis, the embodiment of the party establishment, and the Waffle, with me, a twenty-nine-year-old with a one-year appointment as a history lecturer at Queen's University, as the standard bearer. Lewis was, of course, not a mere candidate for the party leadership. He was the architect of contemporary Canadian social democracy, the personification of its relationship with the key industrial unions that were affiliated with the party. I, on the other hand, was as much the representative of the Waffle movement's ideas as an actual candidate for the leadership of the party *(but the Waffle, like the Left generally, represents the NDP's future and vital first step to winning an independent socialist Canada -- a role never on the agenda of its collaborationist union and opportunist social-democratic leaderships -- Web Ed.)*

The other two serious candidates for the leadership were John Harney and Ed Broadbent. Harney was an academic from Toronto who had run unsuccessfully for a seat in Parliament in the past; Broadbent was a first-term member of Parliament from Oshawa, who'd won his seat in 1968. In terms of campaign organization, Harney and Broadbent were no match either for Lewis, with his powerful trade union connections, or for the Waffle, with its significant presence in many key regions of the country. Moreover, they were caught in the unenviable position of being in the middle during a leadership campaign in which the most important dynamic was the growing polarization between the Lewis and the Waffle camps.

Once, when I was waiting for a flight with Lewis at the airport in Regina, he told me that while I wasn't really running to be leader, but rather to represent the views of a group, he believed that Harney and Broadbent actually wanted to be leader. And he said he thought it would be "a disaster for the party" if either of them were to win. I told him what I believed, which was that, among the candidates who were running, he would make the best leader. When the time came at the convention for me to make a short speech after I came second to David Lewis, it was ungrudgingly that I proposed his victory should be made unanimous. This was a personal gesture I was happy to make *(perhaps a rather 'childish' if not strategic mistake, from the point of the Waffle troops waiting, for you, in the wings -- Web Ed.)*

Personal gestures notwithstanding, the April convention in Ottawa was suffused with bitterness. Between the youthful core of Waffle supporters and the phalanx of Lewis's industrial union delegates, there was a wide gulf of incomprehension, which had as much to do with lifestyle and culture as with ideology. While, for the most part, delegates were well behaved, there were incidents of jeering and even of pushing and shoving between the supporters of Lewis and the Waffle.

While Lewis's victory at the convention was no surprise, the ability of the Waffle to hang onto its constituency through a five-month leadership campaign did surprise many observers. It took four ballots for Lewis to win. On the last ballot the vote total was: Lewis 1046, Laxer 612 *(A seminal and victorious campaign for the Left -- Web Ed.).*

Just weeks after the convention, the Ontario NDP decided to hold a public educational conference in Toronto on foreign ownership in Canada. The conference, which featured speakers from the Waffle as well as from the mainstream of the party, was highly successful, drawing an audience of six or seven hundred people for most sessions and receiving enthusiastic reviews from those who participated. Relations between the Waffle and the party leadership began to thaw.

It was a false spring, however. *(A 'childish' illusion, perhaps, because Marxists should know and apply their understanding of the union base of the party being integrated into the bourgeois State -- Web ed.)*

Within months, tensions resumed again. Although the Waffle had been highly successful at the Ottawa convention among delegates from NDP riding associations, it had, not surprisingly, won very little support from trade union delegates. Indeed, when I received 37 percent of the leadership vote on the final ballot against David Lewis, that represented a virtual dead heat among riding association delegates, where Lewis's margin of victory was based on his overwhelming support among union delegates. Concluding that the

effort to change the party required a different relationship with trade unionists, the Waffle worked hard to create a dialogue. It was moderately successful in involving dissident members of the United Steelworkers of America and of the United Auto Workers *(if true, never before or since has the Left succeeded in winning such a significant degree of support from organized labor -- an invaluable precedent in labor 'political action' -- Web Ed.).*

In both cases, Steelworkers and Auto Workers who were attracted to the Waffle were drawn to its militant position on Canadian independence. Among the Steelworkers who gravitated to the Waffle were leading figures in Local 1005 at Stelco in Hamilton. In the past, some of them had even been disciplined by the union as rebels involved in an effort to create an independent Canadian union. In the UAW, those who

became involved with the Waffle included left wingers and nationalists who had been opposed to the Canada-United States Auto Pact during the 1960s. Instead of integrating its auto industry with that of the U.S., they believed Canada should establish its own industry, designing and manufacturing automobiles from start to finish in Canada. Their slogan had been "An All-Canadian Car."

The fact that dissident Steelworkers and Auto Workers were becoming involved with the Waffle was highly alarming to the regional and national leadership of the USWA and the UAW. Previously, that leadership had often accused the Waffle of being a collection of academics and students who were out of touch with the aspirations of the working class. Now they feared the Waffle might be gaining a foothold in their very organizations *(that potential was indeed revolutionary in its implications -- Web Ed).*

This fear came to a head in January 1972, when the Waffle sponsored a highly successful event in the heart of UAW country on an issue that was of critical importance to members of the United Auto Workers. The Waffle organized a major public conference in Windsor, Ontario, on the Canada-U.S. Auto Pact and the future of the Canadian automotive industry. The conference was cosponsored by the heads of the major auto union locals in southern Ontario, from Oshawa to Windsor, and attended by four hundred people, most of them Auto Workers. The mayor of Windsor was also present. On the Monday following the conference, the Windsor Star printed a banner front-page headline announcing that the Waffle's goal was an all-Canadian car *(this bold action involving mobilization of a key sector of Canadian unions on a key economic issue was indeed revolutionary in character, unfortunately one which the inexperienced and undisciplined Waffle forces were not equipped to defend -- Web Ed.)*

The Windsor conference was the last straw. Key trade union leaders were convinced that the time had come to dispose of the Waffle. In fact, by the time of the auto conference in Windsor, the effort to get rid of the Waffle had already begun at a much lower level. In the fall of 1971, a resolution was passed by a riding association in Hamilton, Ontario, calling for the group's dissolution.

Both at the highest level, in closed-door discussions between the top trade union leadership and the leadership of the Ontario NDP, and through the Hamilton riding association initiative, the final crisis between the Waffle and the party was at hand. In the spring of 1972, at a meeting of the Ontario NDP's provincial council, provincial party leader Stephen Lewis launched a passionate denunciation of the Waffle. In his leader's report to the council, Lewis depicted the Waffle as a "party within a party." He spent some time detailing the nature of the Waffle group's organizational structure, making the case that the Waffle was an elaborate body with its own committees and public activities, and as such was completely inappropriate within the framework of the NDP.

Following the Stephen Lewis attack, which received major attention from the media, the party established a three-person task force to make recommendations to the party on how to deal with the problem of the Waffle. The task force members were Party President Gordon Vichert; Gerald Caplan, a close confidant of Stephen Lewis who had originally supported the Waffle but had left the group following the federal NDP convention in Winnipeg; and long-time party activist John Brewin.

After holding meetings around the province, the task force produced a report that was harshly critical of the Waffle, even going so far as to compare its political tone to the stridency of former Alabama Governor and segregationist George Wallace — a metaphor for new left Canadian nationalists that was so extreme as

to ultimately undermine the credibility of the task force.

During the weeks following the task force report, the Waffle , fought a province-wide campaign to salvage its legitimacy within the party. Debates were held across Ontario by riding associations and groups of riding associations. Behind the scenes, a few efforts were made to find common ground between the Waffle and the party leadership. At one point, Stephen Lewis asked me to have dinner with him, and the pleasant evening we spent discussing the future of the party gave me a false sense of hope that compromise could be possible. Similarly, I retained close ties with my friend Gerald Caplan. Indeed, we would travel together, have dinner and then participate on opposite sides in the debate about the Waffle's right to exist *(except that dinner and friendly debate served to behead Waffle's challenge, severing rank-and-file Waffle from its leading spirit -- to put it charitably -- Web Ed.)*

Some leading party members who were identified neither with the Waffle nor with the leadership tried to fashion compromise proposals that would allow the Waffle to remain within the party while restricting its right to function as publicly as it had in the past. But there was to be no compromise, no middle ground. The Ontario NDP held a provincial council meeting in Orillia in June 1972. A party executive resolution, embodying the position of the party leadership and that of the top leadership of the affiliated unions, threatened that if the Waffle did not disband, its adherents would be expelled from the NDP. Speaking passionately in support of the resolution, Stephen Lewis asked the party to rid him of this "albatross" around his neck. At the end of a long day, the members of the council voted by a wide margin to support the resolution.

Politically neutered and left with no legitimate political ground on which to stand, the Waffle was finished in the NDP. Soon enough, it would be finished altogether. Its supporters met a few weeks after the Orillia council meeting, near London, Ontario, where the majority of them decided to establish a new organization, the Movement for an Independent Socialist Canada. In this new form, the Waffle survived for another two years, as an organization separate from the NDP. Indeed, this reformed Waffle was highly successful in organizing large-scale public educational courses in political economy. But when it decided to run three candidates in Ontario in the 1974 federal election (I ran, in York West riding in Toronto), it was much less successful. The candidates received only about 1 percent of the vote where they ran. Shortly after that, the Waffle disbanded *(during this debate, important forces within Waffle argued the case of continuing the fight within the NDP -- see their archives in this Website {W2, W5} -- and in the long and chequered tradition of Socialist- and Left-Caucuses which had carried the fight in difficult conditions since the 1950s, thereby recognizing the unique opportunity the CCF-NDP has presented historically to building the revolutionary-sovereigntist forces in Canada --Web Ed.)*

In the summer of 1994, years after the Canadian region of the United Auto Workers (UAW) had split off to form the Canadian Auto Workers (CAW), the CAW held a crucial policy convention in Quebec City. One of the discussion papers, which had been prepared by the top leadership of the CAW, reviewed the history of the labour movement in politics — in particular, its relationship to the NDP. The discussion paper, which took a decidedly nationalist position, was highly critical of what it saw as the role of the Steelworkers and the Auto Workers in driving the Waffle out of the NDP. "It should be pointed out," the paper stated, "that the economic nationalism and movement politics advocated in these labour critiques [current CAW position papers] echoed arguments made in the early 70s by a group within the NDP, the Waffle. The Waffle was ultimately thrown out of the party for these views. Ironically both the USWA (United Steelworkers of America) and the CAW, concerned with the Waffle's criticism of international (American based) unions were very instrumental in that decision."* *(Ergo, had the Waffle been able to rise above its adolescence with a*

long-term strategy by remaining inside the NDP, it might have developed into a major (and adult) proletarian factor in the transformation of the NDP, enhancing it's possibility of overcoming its present supine participation in the parliamentary continentalist swindle -- Web Ed.)

*Closing quotation: CAW, Discussion Papers, 4th Constitutional Convention, Quebec City, August 1994.

In Search of a New Left (1996)
Canadian Politics after the Neoconservative Assault

James Laxer (1996)
Canadian Politics after the Neoconservative Assault

CHAPTER 8
Social democracy and Canadian survival
(All emphasis by the Web Ed.)
(Comments by the Web Ed. in italics)

EVERYWHERE in the world, multinational business has launched a frontal assault against the state. The objective of the global campaign is to win the maximum freedom to produce anywhere, to sell everywhere and to keep corporate taxes low by threatening to shift investment out of any country that tries to restore them to the higher rates of the postwar decades. The capitalist "international" polices the world today to ensure that its writ runs everywhere.

Some states are immensely more vulnerable to the assault than others. Canada is one of those states.

Canada is not an inevitable country. It does not tax the imagination to concoct historical scenarios for the northern half of North America that are quite different from what actually happened. **More than is the case for many other countries, the survival of Canada depends on the active pursuit of national policies to offset the centrifugal forces that are a constant feature of Canadian existence.** The United States and Britain, the countries in which anti-state ideology has been strongest, will survive the era through which we are passing. Canada may not. *(Canada has not survived, by the criteria of the loss of control of the economy within its borders-- a basic premise of birth of Waffle -- Web Ed.)*

In the United States and Britain, there are definite limits to how far anti-state ideology is allowed to go. The ruling classes in those countries are prepared to demolish the welfare state and public education. They are not, however, prepared to give up the sterner features of state power that have always been crucial to their careers at the centre of global empires. Anti-state rhetoric in the United States and Britain never extends to criticisms of these states as nuclear powers.

What limits the anti-state position of business in the U.S. and Britain is that the capitalist class in both countries has a nationalist outlook. This certainly does not mean that American and British businesses hesitate to shift investments out of their own countries or to speculate against their own currencies. But it does mean that, despite their bottom-line orientation, business in both countries operates consciously and unconsciously within the worldviews of their nation-states. Although they take advantage of globalization to further their prosperity, the American and British capitalist classes remain patriotic. They identify, and not in a merely perfunctory way, with the place of their nations in the world. **Being American or British comes naturally to them, as does their parochialism and chauvinism toward the rest of the world.**

Canadian capitalists are different. To enlist in the great odyssey of globalization, they have had to put aside whatever nationalism they ever had. Canada is too small a pond for them, and the affection they express for Canada is artificial and hollow, as shrill and empty as local boosterism. Canada is the country they have abandoned so as to take up residence in an extended American cultural and social space.

Canadian capitalists actually believe in the borderless world, while their American and British counterparts believe in it only if the world remains Anglo-American while borders are being erased. In the United States and Britain, anti-state ideology on the part of business never reaches such a pitch that it threatens the survival of the country itself (which is not to say that it cannot gravely undermine social stability).

While American and British capitalists have retained their sense of identity, Canadian capitalists have allowed themselves to become so disoriented that they are in danger of doing themselves, not to mention the rest of us, immense harm, as the disoriented characteristically do.

So what has led contemporary Canadian business to lose its sense of self?

Historically, the Canadian state has worked actively with business to overcome obstacles to creating a transcontinental economic space on the northern half of the continent. **There have been periods when the federal government consciously acted to promote economic development. At other times, anti-government ideology — periodically a powerful force in Canada — has prevented the state from playing such a role** *(unlike in the case of Norway, which has intervened actively in its petrochemical industry and secured a significant share of its profits for the bourgeois State -- Web Ed.)*

It is a considerable irony that the business class, with its reputation for hard-headedness, has so often had such a clouded understanding of where its own best interest actually lies. Business has always needed the state, whether to protect property or to enhance the environment in which business is conducted. Yet the Canadian state is now under assault—the assumptions that underlie its development have never been more in doubt. To understand why this is so, and the strategic role now occupied by social democratic thinking in relation to the Canadian state, we need to consider how and why the Canadian state first came into being. Only then can we appreciate that it has always been like the proverbial bicycle—unless it continues to move forward, it is constantly in danger of falling over.

Canadian existence has rested on two enduring realities. One of them, of course, has been the presence of anglophone and francophone national societies within Canada. The other has been the fact that English-speaking Canada has had a dual character in its own right. It has been an integral part of American civilization from the very start, and yet has also had its own national character, formed in large measure as a consequence of its deliberate rejection of the United States.

Canada, it is worth reminding ourselves, was a product of the counterrevolutionary eddies of the eighteenth century. Because of the British Conquest of 1759, French Canada missed the French Revolution. And English Canada was born out of the civil war within the English-speaking world that was the American Revolution. The Church in French Canada and loyalism and the British connection in English Canada were the essential reference points for the societies that were to become Canada.

From the Conquest to the late 1840s, the British North American colonies existed within the strategic and economic setting of British mercantilism—a closed economic system, in which it was thought desirable to restrict most commerce to the British Empire itself. It was the age of the Industrial Revolution, and Britain was transforming itself into the world's first industrial power. By the 1840s, industrial Britain had no further use for mercantilism, since it was economically strong enough to buy and sell everywhere.

***When* Britain repealed the Corn Laws and Navigation Acts late in that decade, the British preference on which Canadian merchants had relied was ended, and Canada was thrown rudely into the new world of Victorian free trade.**

Canadian merchants felt betrayed by the end of British preference and even by the granting of responsible government, which came at the same time. Many of the colony's leading merchants were involved in drawing up the *Annexation Manifesto of 1849,* **which called for the Province of Canada to become a part of the United States. Instead of annexation, however, Canada was to get reciprocity with the United States by 1854—a free trade deal negotiated by the British, under which Canadians sold primary products to the U.S. and bought back an array of imports, including a rising volume of manufactured goods.** This arrangement did provide Canadian merchants with a special economic relationship to replace British preference, but reciprocity did not end the travails of Canadian capitalists.

In the 1860s and 1870s, greatness was thrust upon them. What changed everything was the American Civil War and the complete reordering of strategic realities on the continent that accompanied it. **As a consequence of the American Civil War and the tensions it engendered between the United States and Britain, the U.S. abrogated reciprocity with British North America.**

Having been pushed out of special economic relationships with Britain and now with the United States, Canadian business and the nascent Canadian state were forced to contemplate an alternative economic and nation-building strategy, this one focusing on the integration and development of British North America itself. Between 1864 and 1879, the critical decisions were taken. First, through Confederation and the establishment of a Canadian state, the new country had a much greater capacity to oversee economic development than had been the case for the former Province of Canada.

There was much truth in the quip by the Quebec Rouge who was an opponent of Confederation that Canada was a "railway in search of a country." **The new Canadian state was designed as an engine of development, an instrument that could be used to further the plans of the leading bankers and railway promoters of the day**. **Without the newly fashioned Canadian state, the idea of a transcontinental railway with Montreal as a metropolis would have been unthinkable.**

The activist conservatism of John A. Macdonald provided the worldview that brought all the elements together for Canada's late-nineteenth-century development strategy. His was the national outlook that best suited the integration of Canada at the time. By the end of the 1870s, Macdonald, a colonial-nationalist politician, had understood that the assumptions the British brought to political economy did not necessarily make sense for Canadians. In a seminal speech in the House of Commons, in which he made the case for what was to become the National Policy, Macdonald argued that the British passion for free trade was self-interested, and in no way a proclamation of universal truth. By the time the Napoleonic Wars were over in 1815, Britain had succeeded in establishing itself as the leading economic power in the world, Macdonald observed. Therefore Britain stood to gain the most through worldwide free trade since it had enjoyed a head start over other nations in its industrialization. **Unless other countries, including Canada, adopted policies to shelter their industries from all-out competition with stronger nations, they would never develop their own industry. Macdonald's conclusion was clear— tariffs were justified as a protective barrier behind which domestic industry could develop.**

Macdonald's willingness to use the state to protect Canadian industry extended to the critical arena of transportation as well. In 1878, on the need to complete the Pacific Railway, Macdonald declared: "Until this great work is completed our Dominion is little more than a 'Geographical Expression.' We have as much interest in British Columbia as in Australia, and no more. The railway once finished, we become one great united country with a large interprovincial trade and a common interest."[1] ***Whatever its shortcomings, Macdonald's nationalism was the essential world-view that lay behind the consolidation of a transcontinental Canadian economy. Without it, it is easy to imagine that Canada's disparate regions would have been absorbed by the- United States in subsequent decades.***

The major alternative point of view during the Confederation-National Policy era was that of laissez-faire liberalism. It was represented by the Liberal Party, which fought election after election on a platform of seeking economic union or unrestricted reciprocity with the United States. Only with his last electoral victory in 1891, just before his death, did Macdonald finally ensure the durability of the National Policy. **Following their fourth consecutive defeat at the polls, the Liberals, under the leadership of Wilfrid Laurier, made an historic policy U-turn. They dropped their basic opposition to the National Policy, insisting only on minor alterations to the tariff schedule. (Laurier's shift was on a par with that of Jean Chretien in 1993, who, upon winning power, switched his government's position to full support for the North American Free Trade Agreement (NAFTA), subject only to the adoption of scanty side agreements on labour and the environment.)** As a result of this policy flip, Laurier and the Liberals, after they won power in 1896, presided over the rise to fruition of the National Policy. So the first decade of this century saw the high water mark of the effort to create a national economy through specialized interrelationships among Canadian regions. (It is deeply ironic that Macdonald, who breathed life into the National Policy, did not live to see it achieve its full flower.)

The system was bolstered by the new wheat economy of the Prairies. The wheat export and the turn-of-the-century flood of immigration to the West provided the engine for a much wider economic takeoff. **The exports paid for the construction of two new transcontinental railways and created a huge new market for manufactured products. In turn, the tariff, which was the central element of the National Policy, motivated Canadians to purchase domestically produced manufactured goods.**

Regional specialization within the National Policy was certainly geared to making central Canada its major beneficiary. ***The banks, the railways and the big manufacturers were all located in Ontario and Quebec, and they were the biggest winners under the policy. That said, the National Policy did what no Canadian economic policy has accomplished before or since. It established an integrated national economy in Canada, and while it existed, the leading elements of Canadian business believed that their particular interests were congruent with the National Policy's conception of the national interest. What makes the National Policy period so seminal in the Canadian experience is that it was the only time Canadian business was nationalist in its outlook — with a vision of the world that was neither British nor American, but Canadian.*** *(However, as the author notes below, the disappearance of Canadian bourgeoisie's will to maintain control over it's economy -- and its complicity in the takeover by promoting continentalism -- retaining only formal control of its State apparatus and Parliament in fact in order to facilitate this process as a junior partner -- compradorism raised to the level of government -- has led to its rejection of all but ceremonial nationalism -- Web Ed.)*

To claim that Canadian business displayed a national consciousness is not to suggest the flowering of a national bourgeoisie with a perspective as sophisticated as those in other more economically advanced countries. Most economically advanced countries, with the obvious exception of the United States, were also long established nations, with a strong sense of national particularity. This was true, for example, even in the cases of Germany and Italy which were united into powerful nation-states only in the era of Canadian Confederation. Despite pronounced cultural particularism in parts of Germany and Italy, these two countries were bound together by ancient cultures and common languages.

For its part, Canadian business always retained strong economic, cultural and political ties with Britain and the United States. In that sense, a broadly developed and independent worldview never developed within the Canadian bourgeoisie. In other countries, such as France or Sweden, such an independent worldview is evident within the business class and has resulted in business being much more embedded in the national culture, and in the drive for its preservation, than has been the case in Canada.

In the two decades between the end of the First World War and the outbreak of the Second World War, Canadian scholarship and culture achieved heights they had never attained before. The tradition of Canadian political economy, pioneered by Harold Innis, Donald Creighton and other scholars in the 1920s and 1938s, constituted a declaration of independence. ***Instead of conceptualizing Canada as a political creation that defied geography, as had been the previous tradition, the new political economists asserted that the logic of a Canada separate from the United States was deeply embedded in geography, resources and technology, and in the historic web of commercial ties to Europe.*** For Innis, Canada was much more than the accidental remnant of a former French colony to which were added loyalists from the Thirteen Colonies and, later, immigrants from Britain. Canada was rooted in a political economy of the northern half of the continent, the origins of which went back to the fishery of the sixteenth century, prior to permanent European settlement. **From this early exploitation of a staple product, the northern economy developed along a different path from that to the south, which centred on the export of primary products to Europe.**

The work of Donald Creighton furthered this line of analysis. Creighton's masterful study, *The Empire of the St. Lawrence,* first published in 1937, drew a sharp line between the northern territory that was to become Canada and the territory of the Thirteen Colonies. In language that proclaimed the integrity and inspiration of the northern nation, Creighton described the St. Lawrence and its hinterland as follows: "The dream of the commercial empire of the St. Lawrence runs like an obsession through the whole of Canadian history; and men followed each other through life, planning and toiling to achieve it. The river was not only a great actuality; it was the central truth of a religion. Men lived by it, at once consoled and inspired by its promises, its whispered suggestions, and its shouted commands; and it was a force in history, not merely because of its accomplishments, but because of its shining, ever-receding possibilities."[2]

The rich tradition of political economy established by Innis and Creighton endures to this day. After the mid-1960s, those who followed their lead were much more likely to be on the left politically than on the right, and they worked to differentiate the Canadian from the American experience and to analyse the nature of American domination of Canada. But while the Canadian political-economy tradition was to provide a basis for nationalist scholarship, there can be no denying the fact that mainstream economists and political scientists abandoned this school of thought to embrace the main themes of American scholarship. **As British intellectual influence in Canada declined, American influence increased, so that by the**

1960s, when universities were undergoing their great expansion, American approaches to the social sciences and economics had become dominant in Canada.

The division of scholarship into a dominant stream that was compatible with North American continentalism and a lesser, but nonetheless critical, stream that was compatible with Canadian nationalism reflected the division of society into contending continentalist and nationalist forces. By the late 1950s, the schism between these tendencies had become a fundamental aspect of English Canadian politics. Since then, the ideas of nationalist and continentalist "parties" have been felt in every major societal debate, from free trade to industrial and social policy questions. *(The only "(left) nationalist" ideology in this period were those of the Stalinist CPC, i.e., a fast-diminishing and bankrupt tendency promoting the idea of an anti-monopoly national multi-class popular front -- Web Ed.)*

Canadian economic nationalism developed into a significant force during the 1950s, the decade when American economic control of Canada became paramount. In all three major political parties, nationalist tendencies emerged in response to the American takeover of the Canadian economy.

John Diefenbaker sounded the alarm. During the era when the Liberal Party was the political embodiment of the branch-plant economy, his populist-nationalism first revealed the anxiety Canadians felt about the American takeover of Canada. A small-town Tory nationalist from the prairies, Diefenbaker declared war on Liberal arrogance as personified by CD. Howe. In his 1957 and 1958 election campaigns, he struck an unmistakably nationalist chord when he talked of a "northern vision," whose central idea was the completion of Canadian nation building by opening up the resources of the North. **Once he entered office, however, Diefenbaker did virtually nothing to increase Canadian economic independence—apart from making the first great wheat sales to China despite strong objections from the Kennedy administration in Washington.**

Liberal economic nationalism was first promoted during the 1950s by Walter Gordon, who was to remain a nationalist during his years in the cabinets of Lester B. Pearson and Pierre Trudeau, and for years after he left active politics. Gordon was much more systematic in his opposition to American domination of the Canadian economy than Diefenbaker had been. Under his influence, federal government inquiries into foreign ownership were undertaken — resulting in the *Watkins Report* in the late 1960s and the *Gray Report* in the early 1970s. A not inconsiderable program of economic nationalism was then developed in the Liberal Party. Among its accomplishments were: the Foreign Investment Review Agency (FIRA), to oversee foreign investments in Canada and to ensure that they were of significant benefit to Canada; Petro-Canada, the publicly owned petroleum company that was established in the mid-1970s as a fully integrated Canadian presence in an industry overwhelmingly owned by foreigners; new rules for foreign publications, such as *Time (magazine)* and *Reader's Digest,* to prevent them from soaking up a huge amount of Canadian advertising; and the most controversial of all, the National Energy Policy (NEP) of 1980, whose goal was 50 percent Canadian ownership of the petroleum industry by the year 1990. *("Goals" and "measures" becoming nationalist tokenism, fast abandoned under the first US opposing volleys -- see JPG attached article in* Forward *1962 'Oh Canada' --Web Ed.)*

A nationalist wing also developed among social democrats, who felt the same impulses that were stirring in the Conservative and Liberal parties in the 1960s. In many ways, these nationalists had an easier time of it in the NDP than in the other two parties, making their eventual problems within the party all the more surprising. Nationalist influences among the New Democrats in the 1960s came from a variety of

sources. The editor of the *Canadian Dimension,* economist Cy Gonick, was one of the most vigorous exponents of the new left-nationalist position. Charles Taylor, the McGill University philosopher who was also a political analyst and who was for a time considered a likely future leader of the federal NDP, wrote and lectured extensively on the subject. Economist Kari Levitt wrote a pioneering work, highly influential among social democrats, on foreign ownership and the branch plant economy, *Silent Surrender.* And George Grant's book *Lament for a Nation: The Defeat of Canadian Nationalism* had an unprecedented impact on young social democrats following its appearance in 1965. *(See selections from these works in this collection -- 1965-Grant- Chapters 1 thru 7 -- Web Ed.)*

Among social democrats, the idea of greater government intervention in the economy to halt or even reverse the rise of foreign ownership encountered no ideological obstacles of the kind encountered among those Liberals and Conservatives who were strongly committed to the concept of the free market economy. There were, however, two important barriers to economic nationalism within the NDP. The first had to do with the prominent position of U.S.-based unions in the party. In the 1960s, the predominant unions affiliated with the NDP were the large industrial unions, the Canadian sections of the United Steelworkers of America and the United Auto Workers. As we have already seen, these international unions had been assiduously wooed by David Lewis in forging the ties which ultimately transformed the CCF into the NDP. *(To set the record straight, while Canadian nationalism per se was not yet on the public --or CCF-- agenda in the 1950 or early 1960s , the question of public ownership as a class issue certainly was, with Socialist- and Left-Caucuses within the CCF and NDP leading the campaign -- see the Trotskyist press in this website, years before the appearance of the* Waffle Manifesto *in 1969, which it championed as a fresh recruit to the cause-- Web Ed.)*

The Canadian leaders of the international unions connected with the NDP were highly sensitive to the criticism that ultimate power in their organizations rested with their parent unions south of the border. ***A policy against foreign ownership, the branch-plant economy and American control in general would inevitably raise the issue of Canadian unionism. As we have seen, this was an issue they did not want raised in any shape or form*** *(being in essence an anti-bureaucratic, pro-rank-and-file democratic, drive which threatened their local rule – Web Ed.)****.***

The other important barrier to economic nationalism in the NDP concerned public ownership. Among the remedies to foreign control of key sectors of the Canadian economy, public ownership had always ranked high. And this tradition of public ownership, whether at the federal or the provincial level, had little to do with social democracy. Tory nationalism had been the crucial spawning ground for public ownership in Canada, and it was the federal Liberals who in the 1930s took "Tory" initiatives in broadcasting and central banking by firmly establishing the Canadian Broadcasting Corporation and the Bank of Canada as public sector entities. This was followed by the creation of crown corporations by the Liberals during the Second World War. *(Rather, note the much more thorough British --and British Labour Party-- influence and precedent in this period -- BBC radio/TV, nationalization of the entire British coal industry* and establishing a universal health plan -- Web Ed.) (*using State funds for buying out coal interests, bailing out British corporations from a failing industry and seeding British capitalists' profitable re-investments.)*

For their part, social democratic governments did little to increase public ownership. There were experiments in the manufacturing, transportation and energy sectors, the most important of which were undertaken in Saskatchewan. But social democratic governments were much more noteworthy for their crucial initiatives in social policy than they were for initiatives in public ownership.

An important exception to this was the role played by the federal leadership of the NDP in pressuring Pierre Trudeau's Liberal government to establish Petro-Canada. Between 1972 and 1974, when David Lewis and the New Democrats held the balance of power in Parliament, they put pressure on the government to create a crown corporation in the petroleum sector. ***One reason the NDP made much of the issue was that David Lewis and other leading New Democrats had felt enormous pressure from the party's left-wing nationalists to advocate public takeovers of major foreign-owned petroleum companies.*** (In the end, the Trudeau government transformed Petro-Canada into a reality only after the election of July 1974, when the Liberals regained a majority in the House of Commons.)

The position of the NDP leadership on public ownership had already been set in the period before economic nationalism became a force to be reckoned with. When the CCF adopted the Winnipeg Declaration in 1956, it made the issue a much less important part of policy than it had been in the Regina Manifesto. The doctrinal change was understood by David Lewis, its chief proponent, as crucial to formulating policies that would appeal to labour. But to long-time social democrats, it was also seen as a shift toward the political centre. Within the ranks of Canadian social democracy, debates about the place of public ownership in economic policy were seen as discussions about how left wing or centrist the party ought to be. So as a consequence of the ideological trappings associated with public ownership, the debate about it in the CCF and the NDP was quite removed from the broader Canadian consideration of the issue *(i.e., the author is claiming that the strictly 'nationalist' aspect of public ownership -- the appeal to Canadian control (be it private or public -- was ignored, justly noting the absence of a powerful nationalist sentiment to augment the ideological appeal -- Web Ed.)*

It always struck me as a little curious that the most virulent denunciations of public ownership I ever heard were at NDP conventions. In a country in which the policy played an important role in transportation, communications, energy and even some manufacturing, it seemed strange that the idea of extending public ownership was regularly denounced at social democratic conventions as puerile leftism. At times, in debates in the early 1970s about public ownership in the petroleum sector, I felt as though Canada and its urgent problems with foreign control of a critical industry had been left behind in favour of an abstract ideological tangle.

The debate between the left nationalists and the mainstream party leadership of the NDP dramatically increased the profile of the issues of foreign control and industrial strategy within the NDP. Party leaders made frequent public pronouncements on foreign ownership, the limitations of the branch-plant economy and the implementation of an industrial strategy. But despite the increased visibility of these issues within the NDP, the underlying social democratic analysis of society and the economy did not change. **Although the foreign ownership issue, by its very nature, raised questions about who ran the economy and to what ends, Canadian social democracy stayed within the postwar Keynesian paradigm, in which fiscal and monetary policies were the big levers and enhanced social programs were the chief goal.** If social democracy can be thought of as a train, then economic nationalism was just an additional boxcar added on at the end, with no real thought about how it affected the rest of the vehicle.

The nationalists in all three parties had a major impact on the thinking of Canadians. But the continentalists, with their close ties to business, were also gaining in ideological coherence. This was due, in part, to the Americanization of the mainstream branches of economics and the social sciences.

Mainstream economists believe that Canada is, and always has been, an illogical economic entity, one whose very existence is an affront to principles of the free marketplace. It is no exaggeration to say that as a profession, Canadian economists have been dedicated to ending the very notion of a national economy that is separate from that of the United States. (If it is traitorous to plan for the demise of one's country, then Canadian economists taken as a whole have been guilty of treason. But since the very concept of treason is a non-market construct, economists would respond to this critique by regarding it as an hypothesis that is not quantifiable.)

Beginning in the mid-1970s, a potent new combination of forces advocated free trade with the United States and, later, the adoption of a conservative "globalization agenda." These forces were to include two key pro-business think tanks, the CD. Howe Institute and the Fraser Institute, as well as the business media, (led by the *Globe and Mail)* **and the Business Council on National Issues. These voices of Canadian capitalism became the country's most powerful advocates of the neoconservative agenda developed in the United States and Britain. In these countries, which spawned the new conservatism, the movement aimed at tearing up a domestic postwar social contract. In Canada, the focus was different.**

The long march of Canadian capitalism to the promised land of the new conservatism involved a two-stage revolution. During stage one, Canada would be won over to the acceptance of a comprehensive free trade regime with the United States. In the second stage, Canadian economic, social, cultural and educational policies would be harmonized to fit within the American mould. The revolutionaries who carried out the campaign understood that they must not confuse the two stages, that they must deny during stage one what they had in mind for stage two.

In fundamental respects, Canadian neoconservatism was a hand-me-down from abroad. Only in its strategy for a two-stage revolution did it display originality. During the great free trade debate of the 1980s, the promoters of free trade developed a mantra for dealing with the question of what effect economic union with the United States would have on Canadian social and cultural policies. Repeatedly, they denied that there was any connection between the two. **There was no reason, pro-free-trade academics like John Crispo and Richard Lipsey liked to say, for increased trade with the United States to force Canada to harmonize its social policies with those in the United States.** For the opponents of free trade to suggest such a consequence, they insisted, was to engage in scare tactics.

(...)

The Canada-U.S. Free Trade Agreement (FTA) dramatically altered the environment for Canadian economic decision making. In effect, it became no less than a fourth level of Canadian government. Indeed, as a treaty signed with a superpower, it became a fundamental law of the land, a kind of second Canadian constitution. For instance, under the doctrine of "national treatment" as spelled out in the FTA, American firms gained the right to be accorded identical treatment to that meted out to Canadian firms.

This effectively abolished the right of Canadian governments to pursue an industrial strategy centred on the development of domestic firms. In an economy in which American multinationals occupied a uniquely strong, historically entrenched position in the manufacturing and resource sectors, the national treatment provision in the FTA dealt a severe blow to the very idea of Canadian economic nationalism.

As we have seen, the 1988 federal election resulted in a decisive victory by the continentalists over the nationalists. Even though in that election 52 percent of voters supported the Liberals and the NDP, both committed to tearing up the FTA, the Conservatives won a majority of seats in Parliament with 44 percent of the popular vote.

Since the FTA entered into force on January 1, 1989, nationalists have been in a quandary about what they should advocate. The electoral debate about the extension of free trade to include Mexico in the North American Free Trade Agreement (NAFTA) was a small affair in comparison with the debate of 1988. By the time of the next federal election in 1993, Jean Chretien had replaced John Turner as leader of the Liberal Party, and Audrey McLaughlin had replaced Ed Broadbent as leader of the NDP. ***While the NDP continued to espouse the abrogation of the FTA and remained opposed to NAFTA, the Liberals changed their position dramatically.***

During the 1993 federal election campaign, the position of the Liberals on the FTA and NAFTA was very much like that of Liberal Prime Minister William Lyon Mackenzie King on conscription during the Second World War. The Chretien Liberals advocated free trade if necessary, but not necessarily free trade. According to their platform—the famed Red Book—the Liberals would endorse free trade only if significant improvements were made to the deals that had been negotiated by the Mulroney Tories. For most Canadians, the free trade era had begun on January 1, 1989, with the implementation of the FTA, so the NAFTA debate never really caught fire, and the tepid and equivocal position of the Liberals on the issue was never subjected to any serious scrutiny.

The Liberal election victory was quickly followed by capitulation on NAFTA, a capitulation only slightly covered over by the fig leaf provided by the side deals negotiated by U.S. President Bill Clinton on labour and the environment. For years, the Liberal Party had fought the Tory free trade agenda, a fight that reached its crescendo in John Turner's brave battle in the 1988 election campaign. But the dispute concluded with a whimper when Jean Chretien ratified a trade deal that was virtually unchanged from the one negotiated by Brian Mulroney.

Where were the nationalists to go, after this dispiriting denouement?

So far, the answer to this fundamental question has been uncertain. The greatest victory won by the right in the implementation of free trade is the conviction among Canadians that, indeed, a new age of world history is at hand, that globalization is an unstoppable, inexorable force, and that the sovereignty of the nation-state is a thing of the past.

Faced with this apparent turning of an historic page, the nationalists and the left were faced with rethinking both their analysis of the world and their political strategy. How were progressive Canadians to understand the new global age? Were they to accept the idea that the nation-state was inexorably in decline and that progressive politics now had to move simultaneously to the local and global levels, with the national level inevitably rendered less important?

Since the implementation of the FTA and NAFTA, there has been, for the most part, a great silence on this subject. Beyond day-to-day battles in defence of the eroding welfare state, workers' rights and the environment, the nationalists and the left have so far not developed a renewed strategic vision. Without one, or the prospect of one, the right remains entrenched on the strategic high ground.

In working out a post-free-trade strategic position, the left has to begin at the beginning — the condition of Canadian capitalism on the eve of the twenty-first century. The establishment of the FTA and NAFTA does not mean the end of the battle between the "parties" of nationalism and continentalism. It helps to realize that NAFTA was not a product of American strength, but of American weakness. One of the most potent arguments among legislators in Washington in favour of NAFTA was that if the United States did not make a trade deal with Mexico, Japanese business would become predominant south of the Rio Grande. In the postwar years, when the United States held unquestioned hegemony, such arguments would have been ludicrous, but not so today. ***The American socioeconomic system has entered a period of chronic malaise, and Canadian business and the Canadian state have thrown in their lot with this declining superpower to an extent unparalleled in the past. It is a fact of crucial importance for Canadians, indeed for the very survival of Canada.***

What is the nature of the society to which we have linked our destiny?

The broadest measure of the American decline in economic power in comparison with its competitors is that in 1945, the U.S. accounted for 50 percent of global economic output, while half a century later, it accounted for only 20 percent.[4] **The enormous shift in relative economic weight is evident when we note that the European Union now has the largest economy in the world, and Japan, with a population half the size of that of the U.S., has an economy that is *more* than half the size.** This broad shift in economic weight has been accompanied by crucial qualitative shifts. **Japan has replaced the United States as the world's leading net creditor nation, a position the U.S. had sustained from 1919 until the mid-eighties. In the decades following I960, American industry was also overtaken by European and Japanese industry in a long list of sectors—machinery, chemicals, automobiles, microchips and the deployment of computer-driven technology.**

In terms of relative sizes of GDP, status as a creditor nation and industrial prowess, the United States has experienced a sharp decline in relation to its leading competitors. This decline has been paralleled by increasing strains within the American social environment, which have come ever more to the attention of analysts in other countries. Several examples of European concern about the direction U.S. society is taking were cited in a column written in Paris by William Pfaff for the *Los Angeles Times.[5]* In the spring of 1995, Pfafif writes, Sir Michael Howard, a British historian, told members of the French Institute of International Relations that the internal problems faced by Americans "are quite literally terrifying," a view shared by a Brussels-based analyst, Philippe Grasset, who argues that the United States is gripped by what Pfaff calls "a solipsistic individualism in society and economy which is deeply subversive of America's own social and economic stability." These analysts are referring to America's problems with race, underclass and violence. Pfaff concludes: "Today the United States is widely perceived as having, in important respects, set itself upon a dangerous new course, which it does not fully understand. Others find this disquieting, even rather frightening. The American condition now is seen by them as a threat rather than a promise."[6]

At the heart of the American societal crisis is a division between rich and poor that is wider than in any other advanced industrial country, and a division between black and white that adds an element of caste to the character of American social class. ***This societal crisis has been gravely exacerbated by the fact that the United States is the site of the most extreme free enterprise regime in any advanced country. The crisis has now become so visible that it requires willful blindness to continue to regard the United States as a healthy, functional society. Nonetheless, exactly this kind of willful blindness is evident among***

American and Canadian elites in their discussions of the American socioeconomic model.

The idea that the American model is the best in the world is continually and explicitly proclaimed by American corporate and political leaders. In Canada, the acceptance by similar elites of economic union with the United States through free trade amounts to their implicit acceptance of the American model. **In fact, as economic and social integration with the United States proceeds, Canadian elites have grown ever more adamant in their willingness to identify with the goals and modalities of the American model.** A previous generation of Ontario elites would never have sat back and accepted a hard right government like that of Mike Harris, whose sensibility is that of a country-club Republican from the American Midwest.

The continentalism of Canadian business calls into question the ability of Canada to endure in more than nominal terms over the long run. As we have seen, the support of key business sectors was indispensable to the viability of the National Policy. Laurier s reciprocity deal with the United States was defeated in the election of 1911 because the banks, the railways and major manufacturers organized to oppose it. On the other hand, in the 1988 election, free trade was victorious because Canadian business — foreign as well as domestic corporations in Canada, and small business as well as big — fought hard to make sure the Mulroney government was re-elected.

Now that business has gone over to continentalism, could a coalition of other social groupings serve as a viable basis for the rebirth of Canada? *(The author echoes the once-influential "anti-monopoly" multi-class coalition vibe of leftists around the CPC in the 1930s, '40s and into the '50s -- Web Ed.)*

The potential for such a coalition of interests was certainly displayed, if briefly, in the election campaign of 1988. Such a demonstration of the ability of the non-business elements of the country to come together was suggestive, but falls short of proving that a basic alternative is actually possible. Only those who have not bought into the neoconservative conception of state and society can be the source of the values on which a new option might be established. And that focuses the spotlight squarely on social democrats.

With their non-market values, social democrats have already played a crucial role in defining Canada since the Second World War. In an era when national institutions and national standards have been disintegrating, medicare, beleaguered though it now is, has become a pillar of Canadian identity. Without doubt, universal health care is the greatest contribution that social democrats have made to Canadian society. Medicare is both substance and symbol. It guarantees high-quality health care to Canadians, who have only to look to their neighbours and friends across the border to see an alternative system that costs more and leaves tens of millions of people with no coverage and many millions of others with inadequate coverage.

In a dark time, medicare is a beacon from the past that symbolizes caring and compassion and reminds us that Canadians have been capable of doing important things together in the past. If we look further into the past, beyond medicare, we encounter the tradition of Tory nationalism, the indispensable outlook from which transcontinental Canada was constructed. While Tory nationalism has all but disappeared from the landscape, with the honourable exception of voices such as that of Dalton Camp, social democracy remains a powerful current in Canadian society. Alone among the major political perspectives in contemporary Canada, social democracy provides a rationale, integral to its own logic, upon which Canadians can do

important things together in the future. *(Perhaps the author would regret today the "MISC" adventure of the Waffle, forces who left the NDP after being ordered to dissolve their public face in 1973-74 -- abandoning the subsequent organized left within the Party -- Web Ed.)*

Emphatically, that extends to the relationship between English Canada and Quebec. One consequence of the rise of the new right has been to undermine the will to seek a new partnership to renew the Canadian federation. Historically, English Canadians and Quebecers understood that living together in one country made both of the "solitudes" more capable of surviving next door to the United States. The right-wing drive for free trade and globalization has cut away at the very idea that the peoples of the northern half of the continent are capable of making common arrangements that matter. ***The right rejects the notion of a "Canadian economy" separate from that of the United States, and it attacks the idea of Canadian social policies which differ substantially from those south of the border*** *(and with the departure of Waffle and the subsequent void in the NDP left wing, the disappearance of the question of Quebec's right to self-determination ship-wrecked attempts at 'common arrangements' -- Web ed.)*

While the unfettered market leads inexorably to the end of Canada, a new left can only make progress toward its societal goals as long as it is dedicated to the survival of Canada *(although as we socialists of Marxist conviction must acknowledge, the class nature of these societies are bound up in the ultimate goal of the Socialist federation of United States and Provinces of North America -- Web Ed.)*

NOTES

CHAPTER 8 SOCIAL DEMOCRACY AND CANADIAN SURVIVAL

1. George EG. Stanley, "The 1870s," from *The Canadians 1867-1967,* ed. J.M.S. Careless and R. Craig Brown (Toronto: Macmillan, 1967), p. 60.
2. Donald Creighton, *The Empire of the St. Lawrence (Toronto:* Macmillan, 1956), pp. 6,7.
3. Linda McQuaig, *The Quick and the Dead: Brian Mulroney, Big Business and the Seduction of Canada* (Toronto: Viking, 1991), p. 121.
4. See James Laxer, *False God: How the Globalization Myth Has Impoverished Canada* (Toronto: Lester, 1993), pp. 39-88.
5. *International Herald Tribune,* 24-25 June 1995.
6. Ibid.

Staples and Beyond

Selected Writings of Mel Watkins

Edited by Hugh Grant and David Wolfe

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Preface by Hugh Grant and David Wolfe (2005)

(All emphasis by the Web Ed.)

For anyone first exposed to Canadian political economy in the 1960s and 1970s, Mel Watkins is an iconic figure. His strong association with the *Watkins Report,* **commissioned by Liberal Cabinet Minister Walter Gordon in the mid-1960s, and his critical role in the drafting of the** *Waffle Manifesto* **in 1969 (documented in Dave Godfrey's** *Gordon to Watkins to You***) earned him instant recognition among a generation of students and activists deeply concerned with the growing degree of foreign control over the Canadian economy and the inadequate response to the issue by the mainstream political parties of the day. Political activism, through his subsequent involvement with the Berger Inquiry in the 1970s and his passionate opposition to the Free Trade Agreement and the NAFTA** [North American Free Trade Ageement] **in the 1980s and 1990s, remains a central part of Mel's contribution to Canadian society and politics.**

Along with his continuing engagement in Canadian political life, Mel has always been an active scholar. Born in the Innis tradition of Canadian political economy, his thinking was shaped by the work of his contemporaries, including Kari Levitt, Jim Laxer, Tom Naylor, Wallace Clement, Stephen Hymer, and, above all, Abraham Rotstein. Through his many contributions to magazine columns, government reports, and books and scholarly journals, Mel profoundly influenced the intellectual development of Canadian political economy over the course of more than four decades. However, because of the diverse range of publications in which this body of work first appeared, many of his more academic contributions to political economy are less well known than his political contributions. This collection brings together for the first time his most important contributions to academic scholarship. It is organized to reflect the scope of his work, which includes theoretical writings on the staple thesis; analysis of foreign investment, the multinational corporation, and international trade; observations on the state of Canadian economics and political economy; commentaries on a range of political issues; and reflections on technology. Papers are ordered chronologically within each section with the year of publication highlighted to provide the appropriate historical context. But these papers are not mere historical artifacts or "period pieces": the themes addressed and the arguments made continue to resonate and offer important insights into the nature of Canadian political economy today.

The range of topics and the even wider range of approaches may help explain why this collection is so long overdue. The editors faced two imposing barriers. The first was that Mel has written so much and

influenced so many: the task of winnowing down his extensive writings was complicated by frequent objections over what was being excluded. The publication of some of Mel's columns from *This Magazine* in *Madness and Ruin: Politics and the Economy in the Neo-Conservative Age* (Toronto: Between the Lines, 1992) may provide solace to some, but to others we send an apology for being unable to accommodate their recommendations. The second barrier was that Mel continues to write so much and continues to influ ence so many. Just as one version of the manuscript reached an almost final stage of preparation, a new paper would appear that recast his thinking on a topic or that addressed a new issue.

Several people have contributed to putting this collection together. Daniel Drache helped to get the project started, David Wolfe's initiative in organizing a conference dedicated to Mel's scholarly work kept it rolling, and Janice Macauley and Denise Maharaj provided the valuable editorial assistance needed to ensure that it reached fruition.

We have attempted to limit our editorial intrusions to a minimum. Some papers have been edited for length in order to include as many papers as possible and in a few instances material has been rearranged to eliminate possible redundancies. Any editorial changes made to the original paper are noted in the first footnote, which also provides a reference to the original publication. We have also provided short introductions to each section to help put the material that follows in context.

We will, however, avail ourselves of the opportunity -- as editors of the volume and long-time colleagues of Mel's -- to reflect upon our own association with him. His contribution to Canadian political economy is, or will be, apparent to those who have an opportunity to read his work. Less well known, except to those who had the good fortune to enroll in one of his courses, is his influence as a teacher and mentor to undergraduate and graduate students at the University of Toronto.

Our association with Mel dates from the early 1970s, at a time when the Department of Political Economy was a rarefied, if not rather strange, place. In the politically charged atmosphere of the Vietnam War period, it was not unusual for incoming undergraduates to be familiar with the Waffle Movement, the Committee for an Independent Canada, and the findings of the Watkins and Gray Reports on foreign ownership, or to read *Canadian Dimension* and *The Canadian Forum* regularly. Eager first-year students in search of their lecture room in Sidney Smith Hall ran the gamut of newspaper sellers from a wide range of political parties and factions of the day. Most of the writings of Marx, Lenin, Mao, and Tim Buck were available for purchase. Rare times indeed.

Once acclimatized to the University of Toronto, it was possible to find a number of courses scattered through various academic departments that dealt with the issues pertaining to the New Left. This was less true in Economics; however, Ian Parker was a source of inspiration and two faculty members had definite name recognition: Abe Rotstein and Mel Watkins.

Despite the presence of Parker, Rotstein, Watkins, and others, pursuing an "alternative" program of study in economics grew more difficult as the neo-classical orthodoxy extended its grip on the former home of Innis and Easterbrook and the Keynesian consensus crumbled. The "Political Economy Course Critique" for 1973/74, published by the students' association, observed that "Numerous students emphasized the need for courses on 'the ex ploitation of multi-national corporations' or on 'Marxist economic theory.'" Lest students' criticisms be shrugged off by faculty and administrators, they were accompanied by a warning: "We, the editors, sincerely hope that this course critique will aid in pinpointing some of the inadequacies in each individual course. This, however, is not enough. Words must be followed by action."

In a curious act of pluralism, or perhaps product differentiation, the department responded by creating two versions of a course on Canadian economic issues, one taught by Ed Safarian and the other, not recommended for commerce students, by Mel Watkins. As the latter was presumably designed to assuage the small band of dissident students, the department was doubtless surprised when it was consistently over-subscribed and the overwhelming choice of commerce majors seeking to complete their economics requirement. The "Course Critique" for "Eco 337: Contemporary Issues in the Canadian Economy" reported that: "Professor Watkins' course is one of the few, if not the only economics course to follow the Marxist viewpoint of economics. Watkins is, in addition, not afraid to point out the shortcomings of the Keynesian school of economics." Despite this blessing, he did not escape criticism, "because he spoke for practically the entire two hours each lecture." When Mel was seconded to work for the Dene during the Berger Inquiry, the course's popularity forced the department to arrange a last-minute replacement. The best it could come up with was an equally witty and urbane, if less renowned, academic from the Hautes Etudes Commerciales, Jacques Parizeau.

As the opportunity to study political economy within Economics slowly disintegrated, Mel took refuge in the undergraduate Canadian studies program at University College and in teaching a graduate course in Canadian political economy with colleagues David Wolfe and Stephen Clarkson in political science, distancing himself, both physically and intellectually, from his colleagues in economics. Despite this, his courses -- whether offered in economics, political science, or Canadian studies -- became a rite of passage for those concerned with political economy, drawing students from every discipline and interdisciplinary program. Whatever else his students learned, it was clear that political economy could be a strongly grounded theoretical discipline while still commenting on the immediate issues of the day. The former required an acute awareness of the "intuition," or "vision" that informed the theoretical model, while the latter demanded a personal engagement in the current issues.

For his part, Mel was never far removed from the important political issues of the day, whether through his principal authorship of the *Watkins Report* on Foreign Ownership, his involvement in party politics (from the Waffle Group to his candidacy in two federal elections under the NDP banner in the Beaches-East York riding), as an advisor to the Dene Nation

during the Berger Inquiry hearings, as an anti-free trade advocate for the Canadian Labour Congress during the FTA debates, as a columnist and contributing editor at *This Magazine,* **or through his work for Science for Peace.** Yet throughout these various activities, Mel could almost always be found in his office and the lecture halls at University College, University of Toronto, where he stimulated the intellectual development of successive generations of students until his retirement in the 1990s.

Throughout this period he continued his scholarly activities, contributing new papers to academic conferences, participating in several versions of edited collections on the development of Canadian political economy, and writing for academic journals. As scholarly trends evolved over the course of these decades and the dominant academic issues of the day changed, Mel remained firmly committed to two critical values: the seminal contribution of the Innis tradition for an understanding of the development of the Canadian economy, society, and the polity and the need to analyse the factors contributing to, and the political implications of, a growing loss of Canadian sovereignty. His intellectual contribution to understanding these issues remains as critical today as when he first started writing about them in the 1960s. It is our fervent hope that this collection will expose his work to a new generation of students and scholars for whom these issues are as pressing today as they were when Mel joined his first anti-war teach-in at the University of Toronto.

Hugh Grant, U. of Winnipeg & David A.Wolfe, U. of Toronto, May, 2005

Staples and Beyond

Selected Writings of Mel Watkins

Edited by Hugh Grant and David Wolfe

Introduction by Wallace Clement (1998)

Mel Watkins and the Foundations of the New Canadian Political Economy

(All emphasis by the Web Ed.)

(This introduction is based on the opening address at "Speaking Out: A Conference in Honour of Mel Watkins," University College, University of Toronto, 17-18 April 1993)

It is my privilege to introduce this collection of papers written by Mel Watkins. I will concentrate on the formative period of Mel's in tellectual life up to the point I came to know Mel personally, leav ing the past two decades for others. I will then make a few remarks about our personal association.

THE BEGINNINGS

Melville H. Watkins comes from what he describes as "Bobby Orr Country" (that is, McKellar, Ontario, just north of Parry Sound). He entered the University of Toronto in 1948 with the intention of being an accountant. Mel tells us that "It was still possible, when I was an undergraduate studying economics, to feel that it was Cana dian economics. That is not possible now." He attended some of the last lectures by Harold Adam Innis but felt that by the time Innis died in 1952, he was already becoming irrelevant and an impediment to the development of American-style economics in Canada. Mel went on to graduate school in the United States, studying at the Massachusetts Institute of Technology, noting that when he returned to Canada in 1958, he was "a well-trained technocrat and an American left democrat."[1]

(...)

TASK FORCE ON THE STRUCTURE OF CANADIAN INDUSTRY

(...) Walter Gordon had a broad mind and sense of humour. This was some tax accountant. In *A Choice for Canada* he cites a speech made in 1965 to an American audience where he said: "There are those, of course, including many economists in academic circles, who see no problem for Canada in the snowballing of foreign investment, even between our two countries. These people cite in their support the classical theory of free trade and the desirability of interna tional specializations ... The formulation of public policy cannot occur in neat conventional compartments -- economics, political science, sociology, etc. Everyone knows -- and everyone in govern ment knows this instinctively -- that all economic policies have polit ical and social consequences."[10] Walter Gordon seemed to be a man ahead of his time.

Mel speaks most fondly of Walter Gordon. Reflecting back from 1987, he said "When I first went to work for him in the mid-1960s as an advisor on foreign ownership, I told him I was not a Liberal but a New Democrat. He said not to worry, that many of his stron gest supporters were similarly misguided and that he couldn't af ford to be choosy."[11] Must have been heady times for Mel. The Task Force he was asked to lead included such luminaries as Stephen Hymer, Gideon Rosenbluth, Abraham Rotstein, and A.E. Safarian. The first line of the *Report,* issued to the Privy Council Office in January 1968, read, "The extent of foreign control of Canadian in dustry is unique among the industrialized nations of the world." It concluded with the statement: "Foreign direct investment makes a positive contribution to Canadian economic growth by creating economic benefits for Canada. But foreign investment also creates costs."[12] A spectre was haunting the members of the Task Force and the country.

The engagement had a transformative effect on Mel. He was struck by what he called the "gutless" quality of those holding high office in Ottawa. **Back at the University of Toronto while drafting the**

Report, **he was drawn into the Dow Chemical protests taking place there and was becoming an activist. The response to the** *Re port* **itself was cause for reflection. Its release by Cabinet was de layed by US President Johnson's New Year's message on monetary controls. Mel noted the irony: "A situation created by US control of the Canadian economy precluded issuing a report analysing US control of the Canadian economy." Only a short time after the** *Re port* **was released he said, "the** *Report* **-- I'm saying it now, I saw it then -- was really not a radical document. It said the multinational corporations run this country, so why don't we get them to run it better? Why don't we leave them the power but get more benefit for Canadians?"[13] The Cabinet reception was frigid. As Walter Gordon recalls: "The Pearson cabinet rejected the** *Watkins Report* **out of hand. The then Minister of Finance [Mitchell Sharp] com mented that it represented only the personal views of a few aca demics and had no bearing upon government policy. Other ministers thought the report should not be made public, although in the leaky Pearson Cabinet little could be kept secret for long. Eventually, it was decided to table the report but to make it clear the government took no responsibility whatsoever for its proposals. This was done. As I had been personally responsible for the cre ation of the task force and as I agreed with its conclusions, I felt compelled to resign in protest."[14]**

Although Cabinet swept the *Report* **under the rug, foreign con trol would not go away. Obvious problems led to a mandate in the spring of 1970 for the Honourable Herb Gray to "bring forward proposals on foreign investment." A few years later the** *Gray Report, Foreign Direct Investment in Canada (1972)***, was released, providing a thorough-going indictment of Canadian government policies, busi ness practices, and social structure.[15]**

T R A N S F O R M A T I O N

As was true for so many intellectuals, the late 1960s marked a tre mendous transformation in Mel Watkins. He embraced socialism before he embraced nationalism. His 1966 piece on "Technology in Our Past and Present" already indicated a major change in his economic thinking.[16] He reflected that "the greatest potential for Canada as a national society may lie in a substantial rejection of the market economy as the cornerstone of the market society and the market mentality." The same paper contends "to place significant impediments on foreign ownership and to do nothing else risks turning Canada into a technological backwater" and asserts that we must transcend "nationalism in any form." We have a few clues about the intellectual influences on him at this time through his 1970s reflection. He wrote: "For a couple of years I immersed my self pretty deeply in McLuhanism, and what it really did was liber ate me, sweep the cobwebs out of my mind ... Then Innis became meaningful to me again, much more than before. I stopped being simply sentimental about Innis, and rediscovered Canadian politi cal economy as a defence against Americanized economics."[17]

There were other influences. Stephen Hymer, who had served with Mel on the task force and was a professor at The New School for Social Research until his untimely death, had been a close friend and influence. Hymer is remembered for his penetrating ob servations about multinational corporations. In a piece written in 1970, he claimed, "Multinational corporations are a substitute for the market as a method of organizing international exchange." He concludes by saying that the multinational corporation "will create grave social and political problems and will be very uneven in ex ploiting and distributing the benefits of modern science and tech nology. In a word, the multinational corporation reveals the power of size and the danger of leaving it uncontrolled."[18] Mel was also influenced by the writings of John Kenneth Galbraith, a fellow Canadian (albeit ex-patriot) economist, who was also engaging professional economists from the margins. Writing in Economics and the Public Purpose, for example, Galbraith observed: "Left to them selves, economic forces do not work out for the best except perhaps for the powerful."[19]

(...)

For Watkins, "it is the failure of economists to deal with power, analytically and theoretically, that constitutes the mystification. By ignoring power the economist claims to be apolitical." The piece is hard hitting, contending that "the critical point is that the theory economists use has been emp tied of the political. The economist has a trained incapacity to understand power: his innocence is not accidental." Economics ignores "that the market is not a neutral mechanism that can be allowed free reign in a society without the most profound political and social implications which then constrain the solutions which economists can put forward. The market creates the market soci ety and thereby a set of institutions and values which are anything but neutral."[21]

The profound failure of economics pushed Watkins back to Innis, via McLuhan, at a time when Harry Johnson reigned over Canadian economics -- from London and Chicago. It was not far to the conviction that would mark Mel's place in Canadian intellec tual life. In 1970 he declared in the clearest of terms: "Canadian nationalism was impossible without democratic socialism just as so cialism cannot be achieved without independence."[2]"

NEW CANADIAN POLITICAL ECONOMY

The decade of the 1970s brought a coming of age for the new Canadian political economy. In 1970, the University League for Social Reform published *Close the 49th parallel etc: The Americanization of Canada,* **edited by Ian Lumsden.*[23]* This was the first in a series of primers that established the coming of age for the new Canadian political economy:** *Capitalism and the national question,* **edited by Gary Teeple in 1972**; *The Canadian State: Political Economy and Political Power,* **edited by Leo Panitch in 1977;** *A Practical Guide to Canadian Po litical Economy,* **by Wallace Clement and Daniel Drache in 1978; and the start of the journal** *Studies in Political Economy: A Socialist Review* **in 1979.** ***Mel Watkins was a force behind all these developments. His contribution to the Lumsden collection was "The Dismal State of Eco nomics in Canada" where he returned to Innis, characterizing him as "a liberal nationalist" and claiming that "Innis's anti-imperialism argues for the necessity of a Canadian nationalism of the left." Another important marker was the publication, also in 1970, of Kari Levitt's influential study***, *Silent Surrender*[24] ***Mel Watkins wrote the Preface for that book.***

Reconsideration of the writings of Harold Innis has been Mel's main scholarly contribution to the revival of Canadian political economy. As he says: "the large questions which Innis asked about the nature of Canada -- about staples bias and the risk of dependency -- did not go away. Rather, circumstances, notably the nation alist, New Left ferment of the 1960s, and the long shadow it was to cast within the universities, put them on the agenda in an unprece dented way."[25] Mel used a revamped Innisian paradigm to challenge the hegemony of his economist colleagues and has been a conserva tor, interpreter, and extender of Innis's dedication to the big ques tions of political economy, their holistic quality, and the dimensions of time and space. This is not the place to provide a primer on Innis but a few citations illustrate the power of his thoughts. In the open ing essay (written in 1929) in his most famous collection he says at the end of the first paragraph: "the application of economic theo ries of old countries to the problems of new countries results in a new form of exploitation with dangerous consequences. The only escape can come from an intensive study of Canadian economic problems and from the development of a philosophy of economic history or an economic theory suited to Canadian needs."[26] **In the final essay in the collection (originally written in 1948), Innis asserts that "Canada has had no alternative but to serve as an instrument of British imperialism and then of American imperialism ... American imperialism ... has been made plausible and attractive in part by the insistence that it is not imperialistic."27**

Mel wrote several pieces systematically reinterpreting Innis for a new age. In his piece "The Staples Theory Revisited" he claimed, "Innis in particular was a liberal with a difference, who saw the dark underside and the gross contradictions and this makes him suscep tible to an approach that specializes in such matters."[28] He con cludes there are at least two liberal versions of the staple's theory and perhaps two Marxist versions; Innis had become a contested terrain. A little later he engages even more deeply the "power of paradigms" and how "the disciplines discipline" as he maps the contested views characteristic of

Canadian political economy and Innis's place in them.[29] I can only mention his modes of produc tion application of the staple's insights as most evident in his paper "From Underdevelopment to Development" in the 1977 collection he edited under the auspices of the University League for Social Reform entitied *Dene Nation:The Colony Within.*

P E R S O N A L R E F L E C T I O N S

My first personal encounter with Professor Watkins was on a panel of the first Political Economy session at the Learned Society meetings in Quebec City in 1976. He flew into the meetings from Yellowknife. He critiqued my first book in *Ontario Report* and was soon to be appointed the external examiner for my PhD thesis. What would you think about an external examiner who had accused you of being limited by the "terrible blinders" imposed by the disci pline of sociology? Instead of the prevailing left-nationalist image of unmediated domination by American capitalism, I had brought to attention the persistence of an indigenous elite concentrated in finance, transportation, and utilities that had entered into a partner ship with foreign capital in manufacturing and resources. Watkins' position was "Surely whoever dominates the goods-producing sector dominates the economy of a capitalist country. To believe otherwise seems simply to defy common sense."

(...)

He and I later became friends while I was teaching at McMaster University in Hamilton. We were on the board of the fledgling *Studies in Political Economy* together and regularly rode to meetings in Kingston where we met with the crew who came from Ottawa. When the board was unable to construct the opening statement for the journal by committee, Mel and I were delegated to draft it. We did i t at his dining room table with very little difficulty and no acrimony. **The statement appeared in issue Number 1 of the jour nal as the "Editorial Statement" and declared, "Political economy is alive and flourishing in Canada." It notes political economy's "indigenous liberal, yet unorthodox, tradition" with Innis and its "highly creative Marxist tradition" with Macpherson, Pentland, and Ryerson**.

(...)

Mel has been the activist -- from his days on the task force to his work with the Dene around the Berger Inquiry to his work with the Canadian Labour Congress (C L C) against Free Trade.

I was fortunate enough to experience his CLC *[Canadian Labor Congress]* work first hand. (...) Mel reviewed the original O C G S proposal for the Institute of Political Economy's Master's program at Carleton University (along with Liora Salter) where he has twice taught in the Summer School, spreading the neo-Innisian word to a recep tive audience. To cite Duncan Cameron from a recent conference we attended, Mel has been most important for nourishing "public debate and public discussion." To cite Kari Levitt's comment from the same occasion, Mel Watkins has earned our respect. He has cer tainly gained mine. His rich legacy is an insightful and indepen dent scholarship for the new Canadian political economy.

N O T E S

1 See Mel Watkins, "Getting to Democratic Socialism," in *Gordon to Watkins to You, A Documentary: The Battle for Control of Our Economy,* edited by Dave Godfrey and Mel Watkins (Toronto: New Press, 1970), 3-5.

2 M.H. Watkins and D.F. Foster, eds., *Economics: Canada* (Toronto: McGraw-Hill, 1963).

3 W.T. Easterbrook and M.H. Watkins, eds., *Approaches to Canadian Economic History* (Toronto: Carleton Library, McClelland and Stewart, 1967). "A Staple Theory of Economic Growth" is the only piece he chose to include in his 1993 update of this collection, *Canadian Economic History: Classic and Contemporary Approaches,* edited by M.H. Watkins and H.M. Grant (Ottawa: Carleton University Press, 1993).

4 J.K. Granatstein and Peter Stevens, eds., *Forum: Canadian Life and Letters, 1920-19 jo. Selections from the Canadian Forum* (Toronto: University of Toronto Press, 1972), 372.

5 Granatstein and Stevens, *Forum,* 376.

6 Abraham Rotstein and Melville H. Watkins, "The Outer Man: Technology and Alienation," *Canadian Forum* (August 1965): 384-6.

7 Melville H. Watkins, "Canadian Economic Policy: A Proposal" in *The Prospect of Change: Proposals for Canada's Future,* edited by Abraham Rotstein for the University League for Social Reform (Toronto: McGraw-Hill, 1965), 64-5, 82.

8 Watkins, "Getting to Democratic Socialism," 7.

9 Melville H. Watkins, "Is Gordon's Game Worth the Candle?" *Canadian Forum* (July 1966): 400.

10 Walter L. Gordon, *A Choice for Canada* (Toronto: McClelland and Stewart, 1966), 91-2.

11 Mel Watkins, *Madness and Ruin: Politics and the Economy in the Neo-Conservative Age* (Toronto: Between the Lines, 1992), 27.

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CHAPTER 10

The Car and Canadian Political Economy: An Innisian Perspective (1994)

This paper is based on a paper presented at a conference on "Cars and Continentalism" held at University College, University of Toronto, May 1994.

(All emphasis by the Web Ed.)

(This chapter relates the case history of the failure of the 'native' Canadian capitalist class to successfully carry outs its historical task of creating an independent economy and truly sovereign State – Web Ed.)

It has been said of Britain that it is more likely to have a biography of a minor poet than of a major politician. It could be said of Canada that it is more likely to have a history of almost anything than of an industry, even a major industry. We have more labour history than history of industries where labour works; indeed, what industrial history we have is frequently written by labour historians who have first to establish the credentials of the protagonist. Canadian working people, notwithstanding the pervasive influence of American unionism until very recently, evidently make more history than do Canadian business people. We also have industrial history written as incidental to tariff history, perhaps reflecting that Canadians, arguably, have been more innovative with respect to tariffs than with respect to industry. **Now that the US-Canada Free Trade Agreement (FTA), the North American Free Trade Agreement (NAFTA), and the World Trade Organization (WTO), tightly tied Canada's hands with respect to tariff-making, this way of writing industrial history (for whatever industry remains) will presumably disappear.**

It should come as no surprise, then, that we do not have a comprehensive history of the Canadian automobile industry. In Michael Bliss' history of Canadian business, we are told, **"The literature on the coming of the automobile to Canada is thoroughly inadequate" (though the auto industry has long been the largest secondary manufacturing industry in Canada), and "Nothing of importance has been written on the McLaughlins and General Motors of Canada" (though the latter has long been Canada's largest company).**[1] Bliss thinks it is unnecessary to tell us why, and it has not deterred him from writing a huge book, but it is, of course, a side effect of foreign ownership. **Earlier this year, the** *(British magazine) Economist* **headlined an editorial "The day of the national car is over"; for Canada, it was over before it began. Headquarters have always been somewhere else, at least for the real decisions.**

This paper attempts to transcend these inherent limitations by appeal to the insights of the late Harold Innis who profoundly understood that Canada was a margin and wrote serious history in spite of that.

Transportation was a major theme in Innis' historical writing, beginning with his doctoral thesis on the Canadian Pacific Railway.[2] The Conclusion begins, "The history of the Canadian Pacific Railway is primarily the spread of western civilization over the northern half of the North American continent"; for the history of the automotive industry in Canada, one could simply amend that to read "the spread of American civilization." In contrast to the conventional view of myself and others, John Watson writes, in his superb thesis on Innis, "By 1929, Innis had worked out a coherent sketch of Canadian economic development which revolved not so much around staples as around transportation systems."[3] Similarly, Graeme Patterson cites Innis's *Empire and Communications* to show that "it was waterways [transportation], not pulp and paper [the staple, as is usually alleged], that directly led to the late work."[4]J.B. Brebner, commenting on *Empire and Communications* in a 1950 letter to Innis, thought "your terminus is probably 'Power and Communications,' including transportation." While there is no evidence that Innis was moving in this direction, "Empire and Transportation" would not be a bad title for an Innisian study of the car.[5]

(PART) I

Innis was concerned with how particular activities had such pervasive impacts that society seemed virtually to be organized around them. Automobiles themselves were too contemporary to merit more than passing reference from Innis as historian, but he would perhaps have appreciated the considerable literature, scholarly and popular, that sees the automobile as hegemonic in much of the twentieth century. With respect to the labour process, the prevailing mode of regulation of much of this century is labelled "Ford-ism," incorporating, and hence transcending, both such potent "isms" as Taylorism and Keynesianism. Ford itself is still the third largest industrial concern in the world, being outranked by General Motors (which is first) and by Exxon, which supplies the gas for the cars, in second place. Womack and his collaborators call their book on the automobile *The Machine that Changed the World,* and argue that it did so not just once -- with Henry Ford and Alfred Sloan, whose genius was in segmenting the vehicle market -- but a second time, with Eiji Toyoda and Taiichi Ohno at Toyota after World War II.[6] ***For John Kenneth Galbraith, the great dissident economist and the successor to Thorstein Veblen who Innis so much admired, the automobile is arguably the dominant object of "the affluent society" and the auto industry the archetype of "the new industrial state."***[7] In each of the three great markets of the world -- North America, Europe and East Asia (centred on Japan) -- purchases of cars and trucks account for about 15 per cent of personal consumption, while a recent report of the US-based Natural Resources Defense Council calculates total car-associated costs, which it calls the "price of mobility," as 25 per cent of GNP.[8]

A powerful technology like the car creates a support system that adds to its momentum. Alexander Wilson," in his superb book *The Culture of Nature,* writes with respect to the US: "The highways encouraged car acquisition and use, the cars in turn consumed more gas, and the tax on the gas ensured the construction of more highways. The interstate highways, completed in the mid-1980s, amounted to a massive government subsidy to the auto industry and its many dependents, including tourism."[9] Car purchases were central to the boom of the 1920s and then the 1950s and 1960s, while in down times like

the 1930s road construction was a favoured anti-cyclical instrument. Paving, and repaving, roads remains a customary pre-election activity down to the present manic activity here in Ontario in preparation for the provincial election.

In the Canadian context, and in deference to the staples approach, the automobile industry is as important to the economy of southern Ontario (Canada's Michigan) as any commodity is to any province. Likewise, since the auto industry is the leading example of what Quebec has not got its fair share of within Canada, Ontarians fear, or ought to, that if Quebec separates the auto industry will be up for grabs. Significantly too, provincial New Democrats have long lived off the promise to bring auto insurance under public ownership and have done so in Manitoba, Saskatchewan and British Columbia. In 1948, the Ontario CCF promised to do so in its first term. **Years later Robin Sears, a senior official of the Ontario NDP, admitted that European socialists ridiculed him for the NDP's gung-ho approach to public auto insurance, mocking that the party was certainly not going after the commanding heights of the economy. Sears defended it by saying they did not understand the importance of the automobile in North American's independent lifestyle.[10] He had a point; it is a sign of the extraordinary caution of the NDP government that was finally elected in Ontario in 1990 that it reneged on this commitment.**

A creative concern of Innis -- that provides the key to the impact of the car on the political economy of Canada -- was with respect to regionalism. In 1931 he wrote, "The extension of the American empire, the decline of its natural resources, and the emergence of metropolitan areas, supported capitalist expansion in Canada and reinforced the trend to regionalism ... The pull to the north and south has tended to become stronger in contrast to the pull east and west."[11] The automobile is critical to the powerful nexus of continental economic integration and Canadian political disintegration on which Innis was so prescient. In the Foreword to the aptly titled book on the Canadian auto industry, *Driving Continentally,* Murray Smith makes the straightforward present-day point that **"The automotive sector is the bellwether of North American economic integration under NAFTA;" indeed, it is already the most continentally-integrated of any sector.[12]**

The writer since Innis who is most concerned with the symbiotic relationship between continentalism and regionalism is Garth Stevenson; it is not coincidental that he has also written extensively on transportation. **"Canada's history and its national identity, more than those of any other political community in the world, have been associated with the development of transportation and communications."** He adds with respect to the present times: "Canada's most important mode of transportation is highway transportation."[13] In sharp contrast to the east-west bias of the railway and the pervasive presence of the federal government, the pull of highways was north-south and the relevant government that of each province. Canada's first modern, limited-access highway, the Queen Elizabeth Way (QEW), built in the 1930s, ran from Toronto to Fort Erie, meaning Buffalo. (The inaugural flight of TransCanada Airlines in 1937 was from Vancouver to Seattle.) In contrast with most other modes of transportation and communication, "the provinces own and maintain the highways, which by a curious legal fiction are assumed to end and begin at each provincial boundary."[14] The paved TransCanada Highway was hot authorized until 1949; Quebec stayed out under Duplessis because of opposition to federal grants with

strings attached, and it was not completed until 1962, well after the transcontinental connection by air (1939), pipeline (1958) and TV microwave (1958).

Though roads like Dundas Street were originally built for military reasons, to secure a line of communications away from the American border that would not be vulnerable to American attack,[15] the long-run consequences have been of the continentalist cast.

Innis' concerns and concepts remain highly relevant to the contemporary world and contemporary scholarship. He was a political economist, and then and now that means that institutions (such as the state, corporations and trade unions) matter as well as the market; they are not, as orthodox economists imply with respect to the first and third, merely inertial. He most certainly believed that the temporal, historical dimension was relevant. The old political economy with its emphasis on staples and transportation laid the basis for the new political economy of the post-i96os with its emphasis on dependent industrialization and matters of class and gender.

***T*he Canadian auto industry is, in the words of James Laxer, "the classic case of branch plant industrialism;"[16] indeed, it is a highly successful example thereof, yielding both the benefits of high-wage jobs and the costs of a truncated structure. The recent** *Porter Report,* **bearing the imprimatur of both the Business Council on National Issues and the then Conservative Government of Canada, spells out the latter:**

["] General Motors of Canada is Canada's largest exporter [Ford is second and Chrysler third], but strategy development and most home based activities such as design and engineering are carried out in the United States. Supporting industries to the Canadian transportation cluster, such as batteries ... and tires ... are also heavily foreign-owned and foreign home-based. Although the automotive assembly industry contributes greatly to the Canadian economy, the lack of home bases in Canada means that Canada reaps fewer direct and indirect advantages from the presence of those industries than would otherwise be the case. The lack of Canadian home bases also creates vulnerability as trade becomes more open.["][17]

Studies done by the government itself show that in the auto industry "virtually no research and development is done in Canada," while in the parts industry Canadian-owned firms that accounted for just 17 per cent of shipments performed 46 per cent of the research.[18]

Canada is the only member of the G-7 not to have developed an indigenous car (something that even lesser economies like Sweden and South Korea have done), yet Canada is a member of the G-7. It has an imported, dependent auto industry, but a quantitatively large one that is finally efficient relative at least to the US parent country. The latter owes much to the Auto Pact, but its very success may have (falsely) encouraged a move to free trade that may be gravely threatening to both Canada's industrial future and its political future. A manufacturing sector has emerged with difficulty around the staples sectors of the Canadian economy in some part through conscious state policy of an interventionist kind; there is a distinct risk that free trade will undermine manufacturing and result in a reversion to a more staples-biased economy. Ontario's leading export to an industrially stagnant

Britain is white beans, while two mainstream writers have recently reminded us that "Although Mexico is a newly industrialized country, it sells a higher percentage of fully manufactured goods to Canada (69 per cent) than Canada exports to it (24 per cent).[19] *There is, following Innis, much to be learned about Canada from the careful contemplation of the car, including the failure of Canada to produce one.*

(PART) II

Let us reflect briefly on what historical record there is of the industry in Canada. When Henry Ford developed his mass-production methods, the US quickly vaulted past France into first place among the world's automobile producers and stayed there until Japan passed it the 1980s.[20] The sixth Ford built was sold in Canada.

When the Canadian tariff on carriages was extended to cars, US automakers established assembly operations in Canada.[21] The initiative for the transplants came from Canadian carriage makers, Gordon MacGregor in the case of Ford and R.S. McLaughlin for General Motors. They were not bought out and taken over or persuaded to become comprador, they made the advance. (In the search for a name for the new Toronto NBA *(pro basketball --ed.)* franchise, "Toronto Compradors" was somehow overlooked.) *("Comprador:" agent of foreign capitalists --ed.)* ***T*he key was patents, access to technology and technique, and what began as licensing and joint ventures did not progress along a learning curve to independent Canadian operations but regressed to wholly-owned, branch-plant, subsidiaries.[22]**

British imperial preference arrangements gave Canadian-based companies an advantage over American-based companies and enabled the former to reap economies of scale by extending effective protection for the export trade.[23] In the interstices of empire, manoeuvring within the North Atlantic Triangle, Canada was that privileged part of the American empire where manufacturers, regardless of nationality, had special access to the markets of the British Empire. Where the British Empire market (albeit excluding Britain itself which warranted its own American operations) was insufficient, Ford allocated the Latin American market to its Canadian subsidiary; as well, Ford subsidiaries in the further reaches of the British Empire, like South Africa and British Malaysia, were owned and controlled through the Canadian subsidiary. By 1913, Ford's Walkerville factory turned out more cars than any plant in the British Empire, including England. Forty per cent of the cars were exported, two to three times as many as did Ford US.[24]

So it was that by 1920, with the further boost to the industry from producing for the world's first mechanized war, Canada was second in the world to the US as a vehicle producer simply by assembling American cars. But Canada, as an affluent, sparsely-settled North American society, was also second in the world (again, to the US) in per capita car ownership and, in spite of its small

population, third in ownership (with Britain second) in absolute terms.[25] This should dispose of the simplistic argument, frequently encountered in the popular literature, that Canada failed to develop an indigenous industry because the Canadian market was too small; Canada remains second in per capita ownership but has slipped to sixth or seventh place among vehicle producers. The reality was that no Canadian car could survive in the face of branch-plant competition from Ford, GM, Chrysler, Studebaker and others; Canadian manufacturers tried to cater to the high-priced luxury market but could not hold even this niche, CCM (which sold that sixth Ford) made the Russell, a fairly popular choice until 1916 when it disappeared with the merger between CCM's Russell Motor Car Company and Willy-Overland Sales. By 1926, the only car made in Canada that was not also made in the US had the dubious distinction of being the only Canadian-made car propelled by steam; output of the Brooks Steamer was one car a day.

From an early date, therefore, the Canadian industry was a miniature replica of the American. It boasted many of the same models and American cars made in Canada conformed strongly to American standards (though heavy-duty shock absorbers were developed in Canada for use on the bad roads in the West). There was some effort to restyle models for the Canadian market, but the differences were superficial. The Buick was first marketed in Canada as the "McLaughlin," but in advertisements "McLaughlin" kept shrinking and "Buick" growing until only "Buick" remained. There are after all, scale economies, in this case spillovers, in advertising as well. In 1906, advertisements appeared in *Canadian Motor* for "Canadian-made Oldsmobiles"; the pitch was for jobs.[26]

The Canadian model of dependent industrialization reached its zenith in 1929. It had inherent limitations. With the historic exception of Ford, the Canadian industry was biased towards assembly rather than comprehensive parts production (the Canadian tariff on most parts was lower than on completed cars). Moreover, foreign ownership in cars led to foreign ownership in associated industries; "Firestone Tire and Rubber, B.F. Goodrich and Company, Goodyear Tire and Rubber, Seiberling, and US Rubber all followed the big three automakers into Canada."[27] As a result, jobs were fewer and were excessively of the semi-skilled or unskilled variety, while the head offices of the Canadian subsidiaries were more like regional offices for the Canadian operations with managers having limited, if any, input on key parent-company decisions.[28] In spite of its ability to export, the multiplication of models that may already have been excessive in terms of efficiency even for the large American market (that certainly became the case later with the built-in obsolescence of frequent model changes), meant considerably higher prices for Canadian than Americans for virtually identical cars.[29]

This fed popular resentment against the tariff despite the fact that even at its peak in the mid-1920s, the Canadian tariff of 35 per cent was "quite moderate" by international standards, below the US and France at 45 per cent, and virtually the same as the 33 1/3 per cent of traditionally low-tariff Britain.[30] **By 1926 anti-tariff sentiment, particularly in western Canada, had built to the point that the Mackenzie King government cut the tariff to 20 per cent, making it one of the lowest in the world. It simultaneously, however, bowed to rising nationalist sentiment that wanted more made-in-Canada commodities, and brought in tough Canadian-content rules; companies that produced or purchased 50 per cent of the**

value of their finished automobiles within Canada would get a 25 per cent drawback on all duties paid on imported parts and materials.[31] This was a clever combination of managed trade, rather than free trade in the literal sense, that culminated in the later Auto Pact. The automakers were fiercely opposed and threatened shutdowns, but the Canadian location still gave preferred access to imperial markets. King further placated their concerns by repealing the excise tax on cars that met Canadian content regulations, thereby increasing effective protection while permitting a further cut in prices.

Traves offers insight on the power, or surprising lack thereof, of foreign capital: "The principal auto manufacturers were isolated from the major centres of political power. In Canada, the auto industry developed on reinvested profits, not bank loans or stock flotations, and politically powerful financiers, brokers and bankers had no significant political stake in its fortunes."[32] Naylor and Clement argue that Canadian industry is weakened by the dominance of Canadian financial capital but it is even weaker when it fails to forge any substantial links. King held the car manufacturers "in very low regard"; in his diary in 1923 he described them as "the hardest looking lot of manufacturers' promoters I have seen, a genuinely brute force gang from Ford's and other concerns."[33] While imports increased dramatically, prices fell, parts makers did not suffer and, by 1928, all of the Canadian car makers had qualified for duty drawbacks. **During the first two years of the Depression, four of the leading American exporters during the 1920s - Nash, Hudson, Graham-Paige and Packard -- established assembly operations in Canada. Traves concludes: "The 'Canadianization' program begun in 1926 thus achieved a significant success within just a few years of its adoption."[34] It is an instructive story of how popular pressure and government innovation triumphed over big business to the benefit of Canadian consumers and workers.**

In the 1930s, as production sagged badly, Canadian plants turned out only between 4 and 5 per cent of cars and trucks produced in North America.[35] Trade agreements of 1932 gave Britain duty-free access to the Canadian automobile market, a provision that was to facilitate rising imports into Canada in the postwar years. The Canada-US Trade Agreement of 1936 reduced the tariff on cars to 27.5 per cent but increased Canadian- (or Empire-) content to 60 per cent. Studebaker, Hudson and Packard, the low-volume producers, ceased production and reverted to exporting to Canada.[36] But when auto plants were to convert to wartime production, surplus capacity disappeared, plants expanded and employment doubled.

In the immediate postwar years, pent-up Canadian demand camouflaged the serious loss of export markets as other countries adopted the Canadian-style import-substitution model. Dykes, in a popular treatment of the industry, writes: "most nations look on the automotive industry as a symbol of maturity" with no implication that he is thereby damning Canada with faint praise.[37] The record level of production of 1929 was broken in 1948, but in 1949 Canada was a net importer of passenger cars for the first time since 1914, a status that was to be matched by the US in 1957 (the same year that Ford introduced the Edsel!)[38] The United Kingdom took over second position as world producer immediately after the war; in the 1950s, France, Germany and Italy passed Canada, and in i960, Japan. The heyday of the North American industry was over and Canada, as an exposed appendage of the American complex, felt the crisis first.

(PART) III

By the early 1960s, the growing trade imbalance in cars exacerbated Canada's current account deficits, there were fewer jobs than there might have been, prices were 10 per cent higher than in the United States and wages were 30 per cent lower. Whatever the alleged benefits of foreign ownership, in this most foreign-owned of Canadian industries, things were not working and threatened to give foreign ownership a bad name. The combination of foreign ownership and the tariff had culminated in a crisis; if foreign ownership was not to go then the tariff had to and there were even mainstream economists prepared to advocate this.[39] But no government with a social conscience or a desire to be reelected could contemplate free trade without assurances as to what would survive by way of an auto industry in Canada. Free trade had been tried in agricultural implements since 1944 and a once thriving industry had subsequently grown more slowly than its American counterpart in spite of having strong indigenous firms.[40]

The Diefenbaker Government had no choice but to act, if necessary unilaterally; it established the Royal Commission on the Automotive Industry, under the leadership of University of Toronto economist Vincent Bladen, to consider the future of the industry. ***There were really only two choices: either continental rationalization to achieve economies of scale and with exports offsetting imports; or more efficient production within Canada market by reducing the number of models and, perhaps, even producing an all-Canadian car. Faced with only these two possibilities, the American automakers obviously would accept only the first; but either unable or unwilling themselves to resolve the crisis in the Canadian industry, the United Autoworkers (UAW) played a larger role than one might at first sight have imagined. Yates makes the point that in postwar Canada "each sector of the economy had its own form of regulation;"[41] perhaps, paradoxically, the union can play a larger role in finding a solution when the sector is foreign-owned and the national or Canadian interest eludes business and governments.***

Canadian autoworkers, like their American counterparts, organized in the 1930s and, consistent with the tendency of Canadian unionists to belong to American-based unions, ended up in the UAW. More so than in most industries, this made a certain sense given the overwhelming presence of American-based firms. The Canadian UAW supported the continental rationalization option with the hope that higher productivity would lead to wage parity; so did the UAW in the US in order to prevent jobs from moving to Canada.[42] ***Within the Canadian UAW, the Left Caucus pushed the nationalist option but in the climate of the Cold War was unable to mount a challenge to the union's leadership.[43] The nationalist option was also supported by independent parts manufacturers and the social democratic Government of Saskatchewan. The latter's brief to the Bladen Commission asked that "the industry give consideration to the production of a Canadian automobile, an automobile that would be more utilitarian, less subject to model changes, easier to repair and less expensive than the recent American mode."[44] It is poignant description of what is not a choice from multinational capital. Bladen was an old-fashioned economist who understood the argument, but wrote that we "must accept some features of the industry in the United States, such as the multiplicity of models and the frequency of model changes."[45]***

Bladen shrewdly rejected both free trade and high protection and put forward an imaginative "extended content" provision whereby companies could earn duty-free entry of imports (mostly parts) by exporting (mostly assembled vehicles). He was impressed by the extent of scale economies: "if Canadian vehicle manufacturers were to adopt one type of automatic transmission for all models, the production of this part in Canada would not permit economies of scale such as now are obtained by a single United States producer of automatic transmissions."[46] But no action was taken on Bladen's proposals other than removing the excise tax, a belated recognition that the car was not a luxury.

The new Liberal government was sufficiently exercised about the state of Canadian industry in general that it created a new Department of Industry. It is a sign of how dependent the Canadian economy had become on the American, how irreversible that was, how non-viable the nationalist alternative already was, that even the greatest nationalist, Walter Gordon, reluctantly supported continental rationalization in the auto industry. "I did not like this [continental rationalization] in principle, but as three companies dominated the industry on both sides of the border, this acceptance merely acknowledged the existing fact."[47] More than that, to Gordon's intense unhappiness, he later had to agree to exempt *Time* **and** *Readers Digest* **from proposed legislation on Canadian ownership of magazines because of concern that otherwise Henry Luce, the publisher of** *Time***, might try to sabotage the Auto Pact. All in all, a depressing story about how dependency breeds dependency.**

If the die was firmly cast within Canada for continental rationalization, the key was to convince Washington. With respect to the negotiations that culminated in the Auto Pact, Carl Beigie writes: "it became clear that the highest levels of administration in the US government attached a great importance to a successful conclusion. US officials realized that Canada was determined to do something about the poor prospects for its automotive industry."[48] Stephen Clarkson adds: "When Lester Pearson sent peacekeeping troops to Cyprus in response to Lyndon Johnson's request, Johnson supported the Auto Pact in Congress as an exchange of favours."[49] The Pact included both an intergovernmental agreement and the companies spelling out the safeguards for Canada; it is not a figment of the Left's imagination that companies rank with countries -- for some companies and some countries.

If the Auto Pact resolved the crisis that gripped the Canadian auto industry in the early 1960s, it did so by accentuating both the benefits and the costs of dependent industrialization. The intent of the safeguards was to increase Canadian production to more closely match Canadian consumption; but in fact, two-way trade flows increased dramatically (24-fold in 20 years) making the Canadian industry dependent on the American market rather than the Canadian market.[50] Prices fell in Canada, employment stabilized (as labour-shedding from increased efficiency was offset by increased demand from expanding production) and wages rose to nominal parity (the Canadian dollar was valued below the American dollar). But management and R&D functions were further centralized under the Pact to Canada's disadvantage and lower relative wages in Canada attracted a disproportionate share of the labour-intensive portion of the industry.[51] After twenty years of the Pact, two orthodox economists told us: "While Canadians are not hewers of wood and drawers of water, we are 'assemblers' of cars - a relatively low-skilled activity in which

we compete with Korea, Taiwan and Brazil. Mexico produces more engines than does Canada ... All is not well in auto land."[52]

That the Auto Pact worked to Canada's advantage was certainly the American perception. Lyndon Johnson told Charles Ritchie, Canada's Ambassador to Washington, at the outset, "ooh, those Canadians. They got an Auto Pact and they're screwing us on that."[53] The US position was that the safeguards for Canada were transitional but even the notoriously pro-American, pro-free trade Canadian-American Committee was leery of that argument. **There was too much discussion, it felt, of the balance of trade (which had moved in Canada's favour) and not enough of the balance of payments which took account of the remission of profits to the US. It asked, "Is there, as some Canadians contend, a southward migration of managerial and professional personnel out of the Canadian automotive industry as a result of the Agreement?"[54] US displeasure was such that in 1971, when its troubles led it to impose a temporary import surcharge, "President Nixon was on the point of abrogating the whole pact -- only being dissuaded from such a drastic step by an impassioned intervention from the State Department an hour before the fatal step was to be taken."[55] But the Nixon administration did bring in the DISC (Domestic International Sales Corporations) program which created a tax advantage-for producing in the US, and investments by automakers in Canada fell off sharply.[56]**

By the late 1970s there were mounting deficits again in auto trade, and during the interlude of the Clark government, Trudeau committed the Liberals "to renegotiate the Auto Pact's disastrous imbalances." But as Clarkson documents so well, that was not to be. The rejuvenated Trudeau government brought in the National Energy Program and talked of NEPs in other sectors, but the election of the Reagan administration decisively ended the detente of the 1970s that had given countries like Canada at the margin a little room for manoeuvre. Fearing, excessively fearing, US protectionism, Canada tried to negotiate more sectoral arrangements, more Auto Pacts, with the US. The US was not receptive and with the election of the neo-conservative and highly pro-American Mulroney government in 1984, Canada moved to negotiating across-the-board free trade.

(PART) IV

During the negotiations of the FTA, Canada kept insisting that the Auto Pact was not on the table but it was and to Canada's detriment. The reality for some time had been that the North American industry was losing out to Japanese and then South Korean producers. In the early 1980s, the US responded to this unilaterally by negotiating voluntary restrictions on Japanese exports that encouraged Japanese companies to set up operations in the US. Canada moved tentatively in that direction with a production-based duty-remission scheme designed to encourage transplants in Canada.[57] **But a concerted effort, led by the CAW** *(which had broken from the UAW by 1988 to become an independent union --ed.)* **and parts manufacturers, to extend Auto Pact provisions fully to the offshore producers came to naught with the election of the Mulroney government and the triumph of the ideology of deregulation over the national interest.[58] The FTA forbade Canada from extending the Auto Pact to offshore producers**

(other than GM's CAMI joint venture with Suzuki), phased out the duty remission scheme and precluded conditional subsidies to non-American automakers locating production in Canada. In effect, there is now a two-tier industry with American companies facing Canadian safeguards that are not applicable to the offshore producers.[59] The consequences for employment are disastrous: "If we compare the number of jobs provided by the North American-based companies relative to their sales with that provided by the major Japanese-based companies (Toyota, Honda, Nissan and Mazda), we find that the former provides ten times as many jobs *(as the Japanese companies --ed.)...* If GM, Ford and Chrysler only had the same *(lack of --ed.)* commitment to Canada as the Japanese multinationals, we would have 60,000 fewer jobs (even fewer if we included the parts manufacturing jobs). "[6o]

Of course, the Auto Pact was not free trade per se, but managed trade, a critical distinction that was blurred during the great free trade debate of 1988. Grant Devine, the far-right and vehemently pro-free trade Premier of Alberta, went to Oshawa, the home of GM Canada, to declare that all of Canada would now get the alleged benefits of free trade which Ontario reaped from the Auto Pact. **Ironically, what the FTA did was undermine the safeguards of the pact, since the duties which the companies had to pay as penalties for nonperformance disappeared. Canadian-content rules -- anathema to free traders -- were replaced by North American content rules, with the problem for Canada that if the US plays hard ball, there is a risk that North American content *de jure* will be reduced to American content *de facto.* The North American industry was "protected" relative to the offshore producers but at a loss of protection for the Canadian segment. Canada is into a new variant of "imperial preference" with none of the promise of the first. Canadian nationalists who have always seen the Pact as a second-best -- is the "managed trade" of the Pact(,) economic nationalism or managed continentalism? -- are** (we) **compelled to rally to its defence and mostly fail in that effort**.(?)

NAFTA has only made the situation worse. Canadian production -- including Canadian-owned parts manufacturing -- can now shift to either the lower wage, less unionized states of the American south or to much lower wage Mexico. North American-content is increased from 50 to 62.5 per cent but there remains no Canadian-content rule and Mexican production has now to be included. After one cuts through the propaganda of governments and neo-classical economists, commentators see Canada as having "lots to lose, little to gain," particularly in parts production.[61] Still, they may be prone to take too seriously the neo-conservative version of the "competitiveness" model; in so far as public health insurance and good highways for just-in-time production are determinants of investment in the auto industry, Canada has an advantage which it is likely to retain.[62] Absenteeism is less in Canadian plants, and quality of production, as well as the return on investment "higher -- or so the union has claimed in the past."[63] With the new flexible-production technology, GM has moved towards a regional production complex in southern Ontario.

Holmes argues that "The return to a more national alignment of assembly and parts manufacturing is felt necessarily to reduce vulnerability to outside forces" and he adds that "One source of such vulnerability is the split in the union."[64] ***That Canadian autoworkers belonged to an American union seemed logical under continental-rationalization model of the Auto Pact; but as Sam Ginden observes (from the inside), "However much Canadian auto workers were integrated in the continental economy, they were still part***

of a different social formation."[65] The weakening of the American labour movement relative to the Canadian labour movement and a growing sense of Canadian nationalism -- in combination with the move to post-Fordist production -- led to the split, and from that came the CAW that has played a catalytic role in energizing and restructuring the Canadian labour movement. Strong unions, and progressive governments that invest in physical and social infrastructure — if Canada can maintain them in the face of the powerful harmonizing effects of free trade -- can be an advantage. Yates writes of "Canada's continued preference as a good site for building cars" and adds, "although it is impossible to predict the CAW's success or failure in influencing the emergent mode of regulation, it is possible to state with certainty that any new regime, in contrast to the Fordist experience, will be 'made in Canada.'"[66] To reiterate a point made earlier, Canadian workers apparently make more history than Canadian businesses.

(PART) V
(...)

If McLuhan is right, that each technology like the automobile is an extension of the human personality, then we research ourselves each time we drive, or even try to cross the street. When Canadians do so, there is cause to reflect not only upon our personal experience but also upon our industrial history and our economic relationship with the United States. ***The growth of the Canadian automotive industry was initially related to Canada's skilful exploitation of imperial preference arrangements and the development of Canadian-content rules which in due course culminated in the ingenious Auto Pact arrangement of the mid-sixties. In the face of the FTA and NAFTA, it has largely fallen upon Canadian autoworkers to defend the national interest in the industry*** *[i.e., the "national" production quotas of the US auto giants in Canada -- Ed.]* Even more so, the automobile has been a pervasive force in the continental rationalization of the North American economy generally, and with (it) has come American cultural baggage and a tendency to political disintegration within Canada. Whether or not working people have the capacity to resist this occurrence is a question for more sombre reflection *[here the author apparently confuses a key element of the workers' hard-won 'standard-of-living -- the release from alienation afforded by the individual 'freedom' of the automobile -- with the broader crisis of working-class politics, such as the lack of identification of workers' interests in the NDP and near total absence of meaningful mass political participation in this 'labor party' -- what he correctly calls 'political disintegration' --Web Ed.]*

N O T E S (S e l e c t i o n)

1 Michael Bliss, *Northern Enterprise: Five Centuries of Canadian Business* (Toronto: McClelland and Stewart, 1987), 604. Charlotte Yates' book on autoworkers, *From Plant to Politics: The Autoworkers Union in Postwar Canada* (Philadelphia: Temple University Press, 1993), is much better than anything written about the auto industry in Canada. Tom Traves' chapter on "The political economy of the automobile tariff in *The State and Enterprise: Canadian Manufacturers and the Federal Government, 1917-1931* (Toronto: University of Toronto Press, 1979) is the best that we have produced on the automobile tariff.

2. H.A. Innis, *A History of the Canadian Pacific Railway* (London, 1923; Toronto: Univ. of Toronto Press, 1971).

(...)

4 Graeme Patterson, *History and Communications: Harold Innis, Marshall McLuhan and the Interpretation of History* (Toronto: University of Toronto Press, 1990)

(...)

7 **Perhaps the most oft-quoted sentences of *The Affluent Society* (Boston: Houghton-Mifflin, 1958) are these: "The family which takes its mauve and cerise, air-conditioned, power-steered, and power-braked automobile out for a tour passes through cities that are badly paved, made hideous by litter, blighted buildings, billboards, and posts for wires that should long since have been put underground (...). Chapter 2 of *The New Industrial State* (Boston: Houghton-Mifflin, 1967), tided "The Imperatives of Technology" is the story of the Ford Motor Company.**

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9 Alexander Wilson, *The Culture of Nature: The American Landscape from Disney to the Exxon Valdez* (Toronto: Between the Lines, 1991), 30.

10 George Ehring and Wayne Roberts, Giving Away a Miracle: Lost Dreams, Broken Promises and the Ontario NDP (Oakville: Mosaic Press, 1993), 187.

11 Harold Innis, "Significant Factors in Canadian Economic Development," in *Essays in Canadian Economic History* (Toronto: University of Toronto Press, 1956).

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19 Lorraine Eden and Maureen Appel Molot, "Continentalizing the North American Auto Industry," in Ricardo Grinspun and Maxwell Cameron, eds., *The Political Economy of North American Free Trade* (Montreal: McGill-Queen's Press, 1993), 300.

(...)

22 R.T Naylor; *History of Canadian Business, 1867-1914* (Toronto: Lorimer, i975)> 2: 58.

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26 Aikman, *Automotive Industry of Canada,* 14; Sun Life Assurance Company, *The Canadian Automotive Industry* (a study prepared for the Royal Commission on Canada's Economic Prospects, September 1956); Herbert Marshall, Frank Southard Jr. and Kenneth W. Taylor, *Canadian-American Industry: A Study in International Investment* (1936; Carleton Library, 1976); Wilkins, *Emergence of Multinational Enterprise,* 97.

27 Wallace Clement, Continental Corporate Power: Economic Linkages between Canada and the United States (Toronto: McClelland and Stewart, 1977), 60. The ramifications of foreign ownership extended to other secondary industries, such as steel; years later the Bladen Royal Commission noted that in 1959 the Canadian steel industry sold about 6 per cent of its shipments to the automotive industry while the comparable American figure was 17 per cent (Royal Commission on the Automotive Industry, Report (April 1961), 24).

28 Yates, *From Plant to Politics,* 20.

29 Aikman calculates that factory prices ranged from 32 to 44 per cent higher in Canada than the US, while the actual cost to the consumer was 41 to 54 per cent higher (Automotive Industry of Canada, 27). Companies may well have taken advantage of the tariff in their pricing; Marshall et at note that Ford Canada, which imported practically no parts, "has been almost fantastically profitable throughout most of its history" (Canadian-American Industry, 64).

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39 See, for instance, Harry Johnson's critique, "The Bladen Plan for Increased Protection of the Canadian Automotive Industry," in *The Canadian Quandary: Economic Problems and Policies* (Toronto: McGraw-Hill, 1963).

40 Peter Morici, "US-Canada Free Trade Discussions: What Are the Issues?" *American Journal of Canadian Studies* (Autumn 1985), 315.

41 *From Plant to Politics,* 238.

42 Robert White, Hard Bargains: My Life on the Line (Toronto: McClelland and Stewart, 1987), 72.

43 Yates notes that: "The Left Caucus in the Canadian UAW was especially open to attack, given the participation in the caucus of many *Communists*" (From Plant to Politics, 98) *(the "L.C." here is not to be confused with the NDP members' Left Caucus – which the Stalinist CP boycotted in the NDP -- See this website -- Web ed.)*

44 Cited in the Royal Commission on the Automotive Industry, *Report,* 44.

45 *Report,* 21.

46 *Report,* 24.

47 Cited inJ.L. Granatstein, *Canada 1957-1967: The Years of Uncertainty and Innovation* (1968), 207

48 Carl Beigie, *The Canada-US Automotive Agreement: An Evaluation* (Canadian-American Committee, 1970), 51.

49 Stephen Clarkson, *Canada and the Reagan Challenge* (Toronto: Lorimer, 1982), 283.

50 Tayce A. Wakefield, "The Canada-US Free Trade Agreement and the Canadian Auto Industry: Doing the Right Thing at the Right Time," in Marc Gold and David Leyton-Brown, eds., *Trade-Offs on Free Trade: The Canada-US Free Trade Agreement* (Toronto: Carswell, 1988), 285. This decoupling of domestic production from domestic demand gave the Pact a post-Fordist flavour.

(...)

54 Canadian-American Committee, *Toward a More Realistic Appraisal of the Automotive Agreement* (June 1970), 8, 11.

55 Clarkson, *Canada and the Reagan Challenge,* 130; see also Robert Bothwell, *Canada and the United States: The Politics of Partnership* (New York: Twayne Publishers, 1992).

56 Laxer, *Canada's Economic Strategy,* 136.

57 Simon Reich, "NAFTA, Foreign Direct Investment and the Auto Industry," and Molot, "Introduction," in *Driving Continentally,* 9.

58 Yates, *From Plant to Politics,* 21 iff.

59 The FTA required that duty remissions be phased out by 1995 and precluded the granting of subsidies to automotive firms for the construction of plants conditional on provisions such as the level of Canadian content. Jon R. Johnson, "NAFTA and the Trade in Automotive Goods," in Steven Globerman and Michael Walker, eds., *Assessing NAFTA: Trinational Analysis* (Vancouver: Fraser Institute, 1993); N.B. Macdonald, **"Will the Free Trade Deal Driving a Gaping Hole Through the Auto Pact?" Policy Options (Jan/Feb. 1993).**

60 Sam Gindin, "The Auto Sector," in Duncan Cameron and Mel Watkins, eds., Canada Under Free Trade (Toronto: Lorimer, 1993).

61 Reich, "NAFTA," 89; Molot, "Introduction," 14; Holmes, "Towards," 54; and Eden and Molot, "Continentalizing," 308.

62 **"Ford puts its 1990 health insurance expenses at $65 per vehicle in Canada, compared with $300 in US plants" according to the Office of Technology Assessment, Congress of the United States, US-Mexico Trade: Pulling Together or Pulling Apart? (Washington: 1992), 141-2. The report adds: "The problem is much greater for the Big Three than the transplants because Ford, GM and Chrysler must pay the full costs of health and benefits packages for an older and still aging workforce" (142).**

63 White, Hard Bargains, 142-3, 245.

64 John Holmes, "The Globalization of Production and the Future of Canada's Mature Industries: The Case of

the Automotive Industry," in Daniel Drache and Meric Gertler, eds., *The New Era of Global Competition: State Policy and Market Power* (Montreal: McGill-Queen's University Press, 1991), 170.

65 Sam Ginden, "Breaking Away: The Formation of the Canadian Auto Workers," Studies in Political Economy (1989) 29: 69.

(...)

71 Marshall McLuhan, *The Mechanical Bride: Folklore of Industrial Man* (New York: Vanguard Press, 1951), 101.

72 A popular history of the automobile in Canada by Robert Collins, published in 1969, was actually titled *A Great Way to Go*. The 1994 film *The Chase*, consists entirely of a two-hour car chase with a couple making love at one hundred miles an hour on a crowded expressway while being pursued by eight police cars and a helicopter.

Staples and Beyond

Selected Writings of Mel Watkins

Edited by Hugh Grant and David Wolfe

CHAPTER 2

The Staple Theory Revisited (1977)

(A revised version of a paper by the same title published in the Journal of Canadian Studies *12(5) (Winter 1977): 83-94.)*

(All emphasis by the Web Ed.)

In a paper published on the staples approach in 1963, I attempted to pull out of more diffuse historical writings, notably by Innis, an explicit theory of economic growth appropriate to Canada and other "new" countries.[1] In retrospect, its contribution was to give legitimacy to the staples approach -- by showing that it was respect able within orthodox economics -- but this was bought at the high price of constraining the theory to the very limiting paradigm of or thodox economics in general and the theory of international trade in particular.

In revisiting the theory, it seems appropriate to review in partic ular much of the literature that has appeared since 1963 that is of analytical interest.[2] This literature can be conveniently classified under four heads: 1) quantitative testing of the staple theory under the influence of the new economic history; 2) studies on the closely related topics of foreign ownership and the structure of Canadian industry, to the extent that they are concerned with the evident bias toward staple export, on the one hand, and a re tarded industrial structure on the other hand; 3) historical and contemporary analysis of resource policy, with particular respect to the further processing of staples, the appropriation of eco nomic rents from staple production and the North; and **4) work based on the Marxist paradigm.**

The bias of the paper is toward the Marxist paradigm. This re flects the straightforward fact that, in quantitative terms and, in my opinion, in qualitative terms as well, it is scholars working out of the Marxist paradigm who are now predominant in the literature on the staples approach. This presumably is the result of a general resurgence of scholarly interest in Marxism that is, of course, not confined to Canada.

That Marxists should be attracted specifically to the staple ap proach is wholly understandable and should give no offense.[3] While its leading proponents were certainly liberals, at least in the beginning it was clearly political economy and at least in the hands of Innis it was about dependence -- and these latter two characteris tics are, of course, central to Marxists. Innis in particular was a lib eral with a difference, who saw the dark underside and the gross contradictions and this makes him susceptible to an approach that specializes in such matters.[4]

[PART] I

Beginning in the late 1950s and thereafter, the postwar quantita tive bias of American scholarship spread from economics into eco nomic history, and the resulting new economic history penetrated the study of Canadian economic history in some part through the work done by American scholars and Canadian-born scholars resi dent in the US. The latter is indicative of the difficulties of trans planting the new phenomenon to Canada and suggests that its contribution is likely to be second-order. Nonetheless, worthwhile contributions have been made, directly by Bertram and by Caves, and indirectly by Chambers and Gordon in a joint article so scan dalous as to compel reasoned defense of the staples approach.[5]

Bertram's article, appearing simultaneously with my own in 1963, demonstrates the gradual but steady filling in of the manufacturing sector around the impetus generated by staples exports. The two articles have much in common in terms of giving not only the staples approach but the Canadian staples-oriented economy a relatively clean bill of health, but Bertram goes further in the second respect. Drache suggests that there are not one but two (non-Marxist) theories of capitalist development based on the staples theory, the steady-progress view of Mackintosh and the dependency view of Innis.[6] Bertram and other writers in the new economic history, opt wholeheartedly for the more laundered Mackintosh approach.[7] MacDonald in his critique of Naylor (of which more below) makes an analogous distinction between two branches of the staples ap proach: first, metropolitanism, or the commercial penetration of the hinterland positively viewed, as evidenced by (the early) Creighton and Ouellet; and, second, the entirely different principle that a dominant trade might organize an economy inexorably around it self and lead to stagnation. MacDonald puts my 1963 article in the second category, as well as the writings of Fowke, Pentland, Dubuc and Ryerson.[8]

Caves' first article enhanced the legitimacy of the staple model for orthodox economists by showing its formal similarity with the unlimited-supply-of-labour model in the literature on economic de velopment; that is, both were "vent for surplus" models of trade and growth rather than models based on growth through more effi cient allocation of an existing stock of employed factors of produc tion. Caves focuses narrowly on the linkages of the staple sector to other sectors, while urbanely noting in passing that there are "of course, the whole field of possible influences of the pattern of in dustry upon social and political development." He sensibly con cludes that the staple model, at least in its simple form, "probably yields no normative conclusions" and that both vent-for-surplus models "received their respective laurels and brickbats as a source of guidance for policy on the basis of what the linkages have or have not done in a particular case."[9]

(...)

In sum, the new economic history, which has been a central ob session of economic historians in recent years, to the extent it poses real questions has upheld the validity of the staples approach -- though making little or no contribution to our theoretical understanding. The staple theory has survived the worse onslaughts of Americanization and for that reason alone must be seen as hardy and genuinely Canadian.

[PART] II

In the postwar period, and notably in the past two decades, a substantial literature has emerged on the structure of Canadian in dustry and on the closely related topic of foreign ownership. The concern of this literature is not with the staple theory *per se* -- and therefore there will be no exhaustive review of it here -- but it is nec essary to enquire to what extent it sheds light on the viability of the staple theory, and to what extent the staple theory might shed some light on the topics of industrial structure and foreign ownership.

The historic tendency for staple production to take place under the aegis of foreign capital has persisted, indeed accelerated. In the first substantive study of foreign ownership in the postwar period, Hugh G.J. Aitken's *American Capital and Canadian Resources (1961)***, that simple fact is the central theme. Unfortunately, it is obscured in most subsequent studies -- in Safarian, the** *Watkins Report* **and the** *Gray Report* **-- but it does figure prominently in Levitt.[13] The most straightforward explanation, which requires no stepping out side the liberal paradigm, is the high American demand for Cana dian staples and the high capital-intensity of the new staples create an advantage for the typically large established American company over a potential Canadian company. Put differently, the staples ap proach enables us to "explain" the continuing and rising level of foreign ownership of staple production.**

But this begs the question of why there is so much foreign owner ship, not only in the staple sector but in the rest of the economy too, and particularly in manufacturing proper. Putting aside the tendency of Canadian economists to claim it does not really matter, and therefore presumably needs no explanation, those who wish to explain it ultimately fall back for the most part on a Schumpeterian-like argument about the inadequacies of Canadian entrepreneurship; this is true even of as perceptive a writer as Levitt. This, of course, is something less than a satisfactory answer, since it merely poses the question of the cause of the deficiency of Canadian entrepreneurship. As we shall see shortly, the first serious answer is of fered by Naylor, but from a Marxist paradigm.[14]

The more conventional staples approach nevertheless contains some insights, having primarily to do with the tendency toward an excessive preoccupation with staple production that inheres in sta ple production itself, eg., the sucking of domestic capital into the staple sector, notwithstanding the predominance of foreign capital, and the propensity of government to see staple production as a panacea for economic growth and neglect the working out of a proper industrial strategy. We are unlikely to be able to improve on Innis' cryptic formulation:

Energy has been directed toward the exploitation of staple products and the tendency has been cumulative ... Energy in the colony was drawn into the production of the staple commodity both directly and indirectly in the production facilities promoting production. Agriculture, industry, transportation, trade, finance, and governmental activities tend to become sub ordinate to the production of the staple for a more highly specialized manufacturing community.[15]

Work on the structure of industry proper, notwithstanding many useful insights about the miniature replica effect, concerns itself *ad nauseum* with the Canadian tariff as THE source of the prob lem. This begs the question as to the "source" of the tariff and the answer tends, as before, quickly to degenerate into an appeal to the inadequacies of Canadian businessmen. With respect to the narrower mechanisms of the staple theory, Naylor reminds us of one that was once well-known in the literature, namely, that the National Policy, protectionist though it was, generated a flood of government revenue that greatly facilitated the building, and overbuilding, of infrastructure for staple production.[16]

The failure of a resource base developed to meet the exigencies of staple export to lead to an industrial complex -- which is, after all, the heart of the matter -- is ably described by a non-economist, Pierre L. Bourgault, in a study not for the Economic Council but the Science Council:

["]We are the world's largest producer of nickel, but we are net importers of stainless steel and manufactured nickel products we are the world's second largest producer of aluminum, but we import it in its more sophis ticated forms such as ... precision aluminum parts for use in aircraft; we are the world's largest exporters of pulp and paper, but we import much of our fine paper and virtually all of the highly sophisticated paper, such as backing for photographic film; we are one of the principle sources of plat inum, but it is all exported for refining and processing and re-imported in finished forms; we are large exporters of natural gas and petroleum, but we are net importers of petrochemicals; and although we are the world's foremost exporter of raw asbestos fibres, we are net importers of manufac tured asbestos products.["][17]

Neither orthodox studies of industrial structure nor a staple the ory focused microscopically on linkages seems quite to come to terms with this matter; we must either retreat to Innis or move for ward to Naylor.

[P A R T] I I I

In the area of resource policy proper, two names stand out, Kierans and Nelles. A long-neglected theme in the economic analysis of staple production, but one that grows logically out of the liberal paradigm, is that intramarginal "land" commands its own reward, or economic rent. The relevant questions are: What is the size of the rents? Who gets them? What difference does their distribution make to sustained economic growth? Kierans' pioneering study on the metal-mining industry in Manitoba shows that the rents are large relative to the wage-bill, and that they disproportionately ac crue to capital which is frequently foreign.[18] Clearly, the conven tional focus on forward and backward linkages has obscured an important point, that is, that the prospects for sustained and more diversified development in the wake of non-renewable resource ex ploitation are decreased to the extent that rents, or "super profits," are appropriated by the resource-capitalists, and particularly if they are foreign capitalists.

Without respect to the nationality of capital, the rents, to the extent to which they are retained by the corporations, tend to re main locked into resource exploitation and eventually leave the region that had the resources. This is so because resource compa nies are generally not diversified outside the resource sector and are increasingly large multinationals prepared to exploit resources anywhere in the world. To the extent

that the rents accrue, immedi ately or ultimately, to local shareholders as dividends or capital gains on shares, the staple-producing country benefits -- specifi cally, that small portion of its population that owns most of the shares. To the extent governments in the staple-producing country appropriate the rents through taxation or public ownership, the country benefits -- though the nature of the benefit depends on how governments spend the additional revenue and/or reduce other forms of taxation. Finally, regionally, or locally, the major consequence of losing the rents from non-renewable resources is the region's abandonment by capital once the resources are ex hausted and all the rents extracted.'[9]

The addition of an analysis of economic rent to orthodox staple theory has the important result of showing how staple production can create a "blockage" to diversified development, that is, by de nying the potential, to create "underdevelopment." In effect, the lib eral paradigm can be made to yield a version of the staple approach that explains phenomena strikingly similar to what is yielded by the Marxist paradigm in which the analogous mechanism is the outward drain of surplus.

Nelles' massive study of Ontario government policy in the new staple industries of forest products, mining and hydro electricity over almost a century is the most important descriptive work done within the context of the staple approach since Rich's monumental study of the Hudson's Bay Company.[20] He eschews economic theory, but his central concern with "the manufacturing condition" as Ontario's "litde National Policy" is evidence of how staple production, at its best, leads to more of the same -- in the sense of more value added within the resource sector -- rather than causing a quantum leap into a diversified industrial economy under domestic control.

The Canadian North, as the new and last "frontier," is also attracting increasing attention from historians working basically around the theme of resource policy. The major writings of Zaslow and Rea are mostly valuable for their great detail.[21] Rea uses a sim ple staple model that focuses on linkages and ignores rent. Neither shows any real grasp of the economy of aboriginal peoples, and both fall prey -- and Rea explicitly so -- to the dual economy thesis, thereby missing the point that the non-renewable resource exploi tation sets up mechanisms which create underdevelopment for na tive peoples. In the current context of the Berger Inquiry into the merits of a gas pipeline in the Mackenzie Valley, research spon sored by the Indian Brotherhood of the N.W.T demonstrates the destruction of the economy of native people in the "new" and last frontier, the Canadian North.[22]

[P A R T] I V

In the last decade, a mere handful of Marxist writers in Canada has suddenly been joined by a small army of younger scholars. At least from the perspective of the analytics of the staple approach, by far the most important contribution is Naylor's two-volume *History of Canadian Business* **in the critical period from Confederation to World War I. Indeed, his work is, in my opinion, the most impor tant historical writing on Canada since the early Innis and the early Creighton, and I am aware of what high praise that constitutes.**

As we have already seen, liberal scholarship, in attempting to explain the dependent and structurally-underdeveloped nature of the Canadian economy has been able to do no better than appeal to the deficiencies of Canadian entrepreneurship. ***Naylor saves us from this theoretical quagmire by centring our attention on the nature of capital***, **and specifically on the distinction between merchant capital and industrial capital and the difficulty of transforming an economy dominated by the first into an economy dominated by the second. From a contemporary perspective, his concern is with "the overexpansion of resource industries relative to manufacturing, and the drainage of surplus income as service payments for foreign invest ment instead of its being used to generate new capital formation with Canada."[23]**

The ties to the staple approach are obvious. Naylor's analysis centres on "two fundamental structural attributes of the Canadian economy" between 1867 and 1914. The first is the legacy of its co lonial status, both economic and political: it was a "staple-extracting hinterland oriented toward serving metropolitan markets from which, in turn, it received finished goods." **Accordingly, Canada's commercial and financial system, as well as its entrepreneurial class, "grew up geared to the international movement of staples, rather than to abetting secondary processing for domestic mar kets." Second, Canada "had only begun to make the difficult transi tion from a mercantile agrarian base to an industrial one," such that "wealth was accumulated in commercial activities and ... com mercial capital resisted the transformation into industrial capital except under specific conditions in certain industries, in favour of remaining invested in traditional staple-oriented activities.[24]** The necessary origins of Canada as a staple-producer are perpetuated because of the nature of the capitalist class that emerges, and re-emerge, out of the staple trades that spring into being to serve the needs of the metropole.

Naylor, like Innis before him, provides a wealth of detail to sup port his very original contribution to Canadian historiography. Suffice it here to note some of the more important specific mecha nisms which Naylor cites as to how staple production leads to the over-development of the staple industries and the underdevelop ment of manufacturing. **The capital requirements for infrastructure to service the staple trades absorbed domestic as well as foreign cap ital and retarded industrial capital formation. Regionally, the Mari time Provinces were drained of surplus to finance Central Canada's development objectives in the West, thereby retarding indigenous industrial development, while Québécois industrial entrepreneurship was submerged under a wave of Anglophone-controlled mergers.[25]** The Canadian banking system, and Canadian financial institutions in general, grew out of merchant capital involved in the staple trades and took a form appropriate to facilitating the move ment of staples from Canada to external markets rather than pro moting secondary industries.[26] ***The National Policy was a policy of industrialization-by-invitation and attracted foreign capital, and thus foreign ownership under the aegis of the multinational corporation, rather than encouraging domestic capital, which would have strengthened industrial capital relative to merchant capital within Canada and thereby facilitated a transformation out of a staples structure. Railways were built to facilitate staple production and only incidentally to create industrialization***, and their operation favoured international trade over inter-regional trade. And so on.

For Naylor, the consequence was that by the end of his period, the Canadian economy was locked into "the staple trap."[27] His model, then, is a Marxist version of the Innisian version.

It might be thought that the Marxist paradigm necessarily yields a dependency version of the staple model, but this is apparently not certain. There are hints in the scholarly literature -- not to mention vast amounts of diatribe in the sectarian literature -- of a steady-progress version, in this case toward the creation of a viable national capitalist class that has come to rule Canada. Ryerson, writing pre-Naylor, emphasizes the slow but steady growth of industrial capital out of merchant capital in the nineteenth century.[28] MacDonald, in his critique of Naylor's earlier work, insists that "a close look at the evidence ... shows that mercantile and industrial capital were inseparable," but he wrote without benefit of the much closer look of Naylor's two volumes and hence he, and those who rely on the *Ca nadian Historical Review* **for their knowledge of Canadian economic history, risk being the victims of instant obsolescence.[29]**

On this murky, but important, question mention must also be made of the work of Wallace Clement. In his study of *The Canadian Corporate Elite,* he understands that Canada is a staple economy and accepts Naylor's argument on the distinction between merchant and industrial capital and the tendency for the former to be Cana dian and the latter foreign. Nevertheless, he concludes that "the Canadian economy remains controlled in large part by a set of families who have been in the past and still remain at the core of the Canadian economy," and that the split between the commercial and industrial capitalist classes "does not mean the total [Ca nadian] bourgeoisie is not powerful -- indeed, it may be more pow erful because of the continental context."[30] On the basis of the evidence presented in *The Canadian Corporate Elite [1975],* Clement's views are unconvincing. ***His subsequent study of*** *Continental Corporate Power [1977],* ***however, is persuasive: the alliance between Canadian indige nous mercantile-financial capital and American industrial capital is now seen as an unequal alliance that reduces Canada to a status of dependency.[31]***

We can look forward to further controversy around Naylor's seminal argument and its extension by Clement, in the hope that it will illuminate whether there is one or two Marxist versions of the staple theory. For the moment, it seems to me that the dependency-version will, in any event, win hands down.

So much for the capitalists themselves; what of the nature of the state that emerges out of staple production? And what is the like lihood of it showing the way out of the staple trap? Now, to tran scend staple production, that is, to escape subservience to the rising American empire, would surely have required a state pre pared to go well beyond the limitations of the actual National Policy.[32] But the state itself is almost a by-product of the exigencies of staple production, an argument central to Innis' analysis and now to Naylor's.

For Innis, both the Act of Union and Confederation were essen tially dictated by the need to raise capital, first for canals and then railways, to facilitate the movement of staples. For Naylor, Confed eration and the National Policy reflects a state and a state-policy created by the merchant capitalist

class in its own image. If any thing of analytic substance remains to be said on this matter, it may be that more attention should be devoted to the process by which the Canadian state successively suppressed reemerging domestic capital within the staple sector itself, and within the manufacturing sector, in the interest of foreign capital.[33]

While none of the other new Marxist writers have matched Naylor in depth and breadth, some significant analytical gains have been made in fleshing out a Marxist version of the staple theory. The latter would require the recasting of the staple theory as a the ory of class formation; a tentative first step can be outlined here.

If we are to begin at the beginning, we must enquire as to the fate of aboriginal peoples. How, in the most fundamental sense, do they fit into the staple thesis? Innis makes the essential point, at least implicitly, when he writes: "Fundamentally the civilization of North America is the civilization of Europe," and again "Canada has remained fundamentally a product of Europe."[34] **Aboriginal ways of life, indeed aboriginal peoples themselves, were swept aside. Only in the fur trade era were aboriginal peoples functional to Euro-Canadians, and everywhere in the long-run the fur trade retreated in the face of settlement and was ultimately obliterated by it. Aboriginal people were made redundant.**

This functional irrelevancy is dramatically demonstrated in the very terminology that is used to characterize Canada -- and other like cases such as the United States, Australia and New Zealand. Their aboriginal populations notwithstanding, they are called "new countries" or "empty lands" or "areas of recent settlement" or "un developed areas" -- or simply "the frontier." **Their histories can be written, and are written, as the story of successive waves of white settlers exploiting new frontiers and transplanting European insti tutions. The resistance of aboriginal people -- and there has been resistance at every step -- becomes in the history books little more than a lengthy footnote to the main story. The Riel uprising is crushed, Riel is hanged, and he casts his long shadow over subsequent history not because he was a native resistance leader but be cause he was a Catholic.**

The analytical significance of this point can be appreciated if we imagine a very opposite situation, namely, that the aboriginal popu lation had been much larger and had not been easily pushed to the margins of society, geographically and socially. Rather than being a "colony of settlement" Canada might have been a "colony of con quest" analogous to those of Asia and Africa. Or it might have been a "white settler colony" proper, like the Union of South Africa or Rhodesia. Or it might have been a mixed case such as abound in Central and South America. In any event, Canadian development would have been different and much more difficult. A pre-capitalist indigenous population that could not be ignored would be reduced to underdevelopment, and either slowly converted to the capitalist mode of production or contained by massive repression and dis crimination. We would not have our very high *average* standard of living; though the European stock -- if it had not yet been turfed out -- might be doing very well. Methodologically, there would be no special case amenable to the liberal staple theory.

***The aboriginal peoples were pushed aside, dispossessed of land, separated from the means of production and reduced to the status of an underclass or lumpenproletariat.[35] As settlers poured in from the Old World, a class of capitalists emerged in the staple region who created a state structure and a "national policy" in its own im age. What remains? Depending on the staple, the creation of either of a class of commodity producers or a class of wage-earners. The distinction hinges on whether the staple activity is a trade or an in dustry. The great staple* trades *of cod, fur and wheat have been ex tensively researched, and wheat has been explicitly analyzed in Marxist terms in C.B. Macpherson's classic* *Democracy in Alberta.*

Independent commodity producers are capitalists because they primarily use their own capital; they are not wage-earners and do not employ wage labour. The important question is not whether in dependent commodity production exists as a mode of production, but whether it is a dominant or subordinate mode. As a mode of production, it coexists with merchant capital and increases its sway. Hence, both in its own right but, more importantly, because it rein forces merchant capital, independent commodity production tends to retard the development of mature industrial capitalism.[36] In the case of the wheat economy, the prairie farmer was interested solely in costs of inputs to the wheat economy and hence disinterested in whether a viable industrial structure was created within Canada.

But timber and lumber were to some extent industries; the old sta ples created industrialization in their wake; and the new mineral staples are explicitly industries. Commodity producers are a declin ing class.[37] We must enquire as to the formation of the working class.

This is a critical matter neglected by Innis and thus far by Naylor. In spite of a considerable and growing literature on the history of labour, the analytical relationship between the evolution of the work ing class and the imperatives of staple production has yet to be defin itively worked out -- and this paper is not the place to attempt it.

The basic characteristics of the process were set out by Pentland some time ago. **He argued that staples production, because of its seasonal nature and vulnerability to cyclical swings in prices and profits, was not conducive to the formation of a "capitalist labour market" in which the costs of labour were "socialized."** It was not until the 1860s, when manufacturing growth, urbanization, railway construction and the emergence of a sizeable domestic market cre ated an integrated economy, that the demand for labour became sufficiently large, geographically concentrated and seasonally balanced.[38] **The raw material of the labour market came via the immi grant stream, and that was the case both for the unskilled and the skilled. But since many immigrants were "highly responsive to mar ket incentives" and determined to be "farm proprietors rather than wage earners" measures were needed to ensure that they remained in the wage-labour pool. According to Pentland: "It was just such a rejection of wage employment that inspired Edward Gibbon Wakefield, in the interest of capitalist development, to demand new barriers to the ownership of land."** Teeple has since argued that, in fact, a glut of landless labour existed in British North Amer ica by 1820, a situation he attributes not only to

monopolizing land policies -- a historically well-recognized phenomenon -- but also, fol lowing Naylor to "the lack of industrial growth due to the presence of a mercantile ruling class."[39]

In general, Pentland, from our present perspective, veered more to a Ryersonian than Naylorian view of industrialization, so we need to be on our guard. **And beyond the question of class struc ture lies the complex matter of the nature of the labour movement, and of not only its class consciousness but also its national con sciousness.** Canada's dependent trade unionism has been much discussed in the literature, and the rationale and consequences have been ably stated by Robert H. Babcock in particular.[40] **He ar gues that the emergence of a continental labour market during the middle of the nineteenth century led American craft unions to un dertake organizing drives in Canada in order to protect wages and working conditions in the United States from the effects of an in flow of cheap, non-union labour. The unprecedented inflow of American direct investment in Canada at the turn of the century gave greater impetus to Samuel Gompers of the American Federa tion of Labour to organize Canadian workers in order to protect the North American labour market. For Canadian workers whom the AFL unionized, this meant access to strike support and insur ance benefits and improved wages and working conditions.** ***But for the Canadian trade union movement as a whole, international craft unions also brought "structural characteristics and policy predilec tions that were products of the American environment," including short-term economic goals, apolitical unionism, and opposition to organizing unskilled workers. Accordingly, Babcock concludes that "the AFL operated as a divisive force when the Trades and Labour Congress was transformed from a body unifying Canadian union ists into an arm of the international crafts. In a country wracked if not wrecked by regionalism, the loss of a truly national labour insti tution was doubtless unfortunate.***[41]

The full analytical relationship between dependent trade unionism and staple production needs to be pulled together from the literature. ***A critical aspect of this is the tendency of interna tional unionism, directly in its own right and indirectly through its control of the New Democratic Party, to constrain Canadian nationalism and hence the potential for restructuring the Cana dian economy away from its staple bias.***[42]

Finally, in the process of doing all this, it would become appar ent that staple production in Canada has not only generated eco nomic growth -- as emphasized by mainstream writers -- but has also generated social disturbances (such as protest movements) and social rigidities (regional disparities and the social costs of regional underdevelopment).

[P A R T] V

There are clearly two liberal versions of the staple theory and one certainly, and perhaps two, Marxist versions. The continuing viabil ity of the two dependent versions, one liberal and one Marxist and both owing much to Innis, augurs well for future work. In his one truly perceptive observation, MacDonald writes that Naylor has "synthesized, in an unprecedented way, radical and

nationalist themes in Canadian economic thought" (p.265?), but MacDonald errs in his grasp of the analytical, or methodological, respectability of that "thought" -- as I hope this paper has demonstrated.

Finally, here are some suggestions as to the directions in which future research might go. There is always a need for serious theo retical work; specifically, Naylor's thesis might be re-examined in conjunction with Kay's masterful treatise,(Note 43) where the dichotomy between merchant and industrial capital, and the consequences, in his case, for the nature of Third World underdevelopment, also fig ures so prominently. There can, of course, be no substitute for the detailed historical writing needed to expose the pervasive and peculiar impact of each particular staple; notwithstanding Innis' *Settlement and the Mining Frontier,* some of Aitken's writings, and now Nelles' very important contribution, the new staples, of mining and oil and gas, still await definitive analysis. As previously suggested, the impact of staple production on the working class, both in terms of its existence as a class and its consciousness of its existence, is in need of sustained analysis. Finally, the staple theory is so specifically Canadian in origin and development, and yet so apparently appli cable to other new countries, as to make it highly probable that its application elsewhere in a comparative context would be beneficial to its continuing utility in Canadian studies.

(See NOTES for Chapter 2 below)

NOTES for Chapter One – (TEXT NOT INCLUDED HERE)
The Staple Theory of Ecocomic Growth (1963)

1. The American economic historian, Guy S. Callender, devoted consider able attention to the importance of international and interregional trade in staples in the United States *(Selections from the Economic History of the United States, 1765-1860* (Boston, igog)). This aspect of American growth was much neglected until being recently revived by Douglass C North, *The Economic Growth of the United States, iygo-1860* (Englewood Cliffs, N.J., 1961).
2. 9ee his *The Fur Trade in Canada: An Introduction to Canadian Economic History* (Toronto, 1930; 2nd ed., 1956); *The Cod Fisheries: The History of an International Economy* (Toronto, 1940; 2nd ed., 1954). A collection of his writings in the Canadian field can be found in *Essays in Canadian Economic History* (Toronto, 1957) and a complete bibliography of his writings is compiled by Jane Ward, *Canadian Journal of Economics and Political Science* (1953) 19: 236-44. W.A. Mackintosh is sometimes given credit as a co-founder of the staple theory; see his "Economic Factors in Canadian History," *Canadian Historical Review* (1923) 4: 12-25, and "Some Aspects of a Pioneer Economy," *Canadian Journal of Economics and Political Science* 2 (1936): 457-63.
3. This point has often been noted; see, for example, Richard E. Caves and Richard H. Holton, *The Canadian Economy: Prospect and Retrospect* (Cambridge, Mass., 1959), 30; and W.T. Easterbrook, "Problems in the Relationship of Communication and Economic History," *Journal of Economic History* 20 (i960): 563.
4. Kenneth Buckley makes this point strongly in "The Role of Staple Industries in Canada's Economic Development," *Journal of Economic History* 18 (1958): 442.
5. For its use in communications study - where, following the later Innis, the media become the resource or staple - see Marshall McLuhan, "Effects of the Improvements of Communication Media, *"Journal of Economic History* 20 (i960): 566-75; and *The Gutenberg Galaxy* (Toronto, 1962), particu larly 164-6.
6."Role of Staple Industries," 444, 445.
7. Fowke, *The National Policy and the Wheat Economy* (Toronto, 1957), ch. 2; Easterbrook, "Trends in Canadian Economic Thought," *South Atlantic Quarterly* 58 (1959): 91-107; and "Recent Contributions to Economic History: Canada," *Journal ofEconomic History* 19 (1959): 76-102.
8. Aitken, "The Changing Structure of the Canadian Economy" in Aitken *et al, The American Economic Impact on Canada* (Durham, N.C., 1959); "Discus sion, *"Journal of Economic History* 16 (1958): 451; and *American Capital and Canadian Resources* (Cambridge, Mass., 1961), 74.
9. North, "Location Theory and Regional Economic Growth," Journal 0/ Polit-*icalEconomy* 62 (1955): 243-58; "International Capital Flows and the De velopment of the American West," *Journal of Economic History* 16 (1956): 493-505; "A Note on Professor Rostow's 'Take-off into Self-Sustained Growth," *Manchester School of Economic and Social Studies* 26 (1958): 68-75; "Agriculture and Regional Economic Growth," *Journal of Farm Economics*

41(1959): 943-51; and *Economic Growth of the United States.*

10. Canadian Economy, Part I.

11. Baldwin, "Patterns of Development in Newly Settled Regions" Manchester *School of Economic and Social Studies* 24 (1956): 161-79.

12. Levin, *The Export Economies: Their Pattern of Development in Historical Perspec tive* (Cambridge, Mass., i960); G.M. Meier, "Economic Development and the Transfer Mechanism: Canada, 1895-1913," *Canadian Journal of Eco nomics and Political Science* 19 (1953): 1-19; J.C. Ingram, "Growth and Canada's Balance of Payments," *American Economic Review* 47 (1957): 93-104; J.A. Stovel, *Canada in the World Economy* (Cambridge, Mass., 1959); and Perloff and Wingo, "Natural Resource Endowment and Re gional Economic Growth" in Joseph J. Spengler, ed., *Natural Resources and Economic Growth* (Washington, 1961), 191-212 which draws on Harvey S. Perloff, Edgar S. Dunn Jr., Eric E. Lampard, and Richard F. Muth, *Regions, Resources and Economic Growth* (Baltimore, i960).

13. Both features are recognized by W.W. Rostow in *The United States in the World Arena* (New York, i960), 6; the first is also cited by Bert F. Hoselitz, "Patterns of Economic Growth," *Canadian Journal of Economics and Political Science* 21 (1955): 416-31.

14.`Fay, "The Toronto School of Economic History," *Economic History* 3 (1934): 168-71. See also Easterbrook, "Problems," 563.

15.Albert O. Hirschman, *The Strategy of Economic Development* (New Haven, 1958), ch. 6.

16.North's book is weakened by his failure adequately to appreciate the im portance of the resource base. He applies Baldwin's polar cases to the American South and West in the period prior to the Civil War, but has very probably exaggerated their efficacy in explaining rates and types of devel opment by understating differences in the general resource base which favoured the West.

17.Note the Canadian mineral discoveries consequent on railway building and hence linked ultimately to the development of the western wheat economy.

18. On external diseconomies generated by an expanding sector when factor supplies are inelastic, see Marcus Fleming, "External Economies and the Doctrine of Balanced Growth," *Economic Journal^* (1955): 241-56.

On the character of export-led booms in Canada, see the literature cited in n. 17.

19.Rostow, *The Stages of Economic Growth* (Cambridge, i960), 36.

20.North, after appeal to the American case, reaches a similar conclusion.

21.See his "The Climate of Enterprise," *American Economic Review* 39 (1949): 322-35; "Uncertainty and Economic Change," *Journal of Economic History* 14 (1954): 346-60; "Long Period Comparative Study: Some Historical Cases," *Journal of'Economic History* 17 (1957): 571-95.

22.Wallich, *Monetary Problems of an Export Economy* (Cambridge, Mass., i960), 12.

23. Singer, "The Distribution of Gains between Investing and Borrowing Countries," *American Economic Review* 40 (1950): 482.

24. The classic example is the building of two additional transcontinental rail ways during the wheat boom, 1896-1913. The general phenomenon is noted by A.F.W. Plumptre, "The Nature of Economic Development in the British Dominions," *Canadian Journal of Economics and Political Science* 3(1937): 489-507.

25. The high correlation between depressions and tariff increases is noted by John H. Young, *Canadian Commercial Policy,* A study for the Royal Commis sion on Canada's Economic Prospects (Ottawa, 1957).

26. For a formal presentation of the theory of immiserizing growth, see J.Bhagwati, "Immiserizing Growth: A Geometric Note," *Review of Economic, Studies* 25 (1958): 201-5, and "International Trade and Economic Expan sion," *American Economic Review* 48 (1958): 941-53.

27. This mechanism is emphasized by Hirschman, *Strategy,* 120 ff.

28. CP. Kindleberger, *Economic Development* (New York, 1958), ch. 14.

29. Lewis, *The Theory of Economic Growth* (Homewood, Ii 1., 1955); Nurkse, *Pat terns of Trade and Development,* Wicksell Lectures, 1959 (Stockholm, 1959).

30. H. Myint, "The Gains from International Trade and the Backward Coun tries," *Review of Economic Studies* 22 (1954-55): 129-42.

31.W. Arthur Lewis, "Economic Development with Unlimited Supplies of Labour," *Manchester School* 22 (1954): 139-41.

32. Singer, "The Distribution of Gains."

33. Lewis, *The 'Theory of Economic Growth,* 348.

34. G. Haberler provides a geometric demonstration of a case where free trade is harmful, given rigid factor prices.

"Some Problems in the Pure Theory of International Trade," *Economic Journal6o* (1950): 223-40. The argument is extended in Steffan Burenstam Linder, *An Essay on Trade and Transformation* (New York, Stockholm, 1961), ch. 2.

35. RJ. Ball, "Capital Imports and Economic Development: Paradoxy or Orthodoxy," Kyklos 15 (1962): 610-23.

36. Dietrich Gerhard, "The Frontier in Comparative View," *Comparative Studies in History and Society* 1 (1959): 205-29.

37. J. Firestone, "Development of Canada's Economy, 1850-1890," in *Trends in the American Economy in the Nineteenth Century* (Princeton, ig6o), 217-52.

38. "The Role of Staple Industries," 447.

39. OJ. Firestone, *Canada's Economic Development, 186J-I<)53* (London, 1958), and "Development of Canada's Economy, 1850-1900"; Duncan M. McDougall, "Immigration into Canada, 1851-1920," *Canadian Journal of Economics and Political Science* 27 (1961): 162-75; Penelope Hartland, "Ca nadian Balance of Payments since 1868" in *Trends in the American Economy in the Nineteenth Century,* 717-55; Gordon W. Bertram, "Historical Statistics on Growth and Structure of Manufacturing in Canada, 1870-1957," Canadian Political Science Association Conference on Statistics, June 10-1 1 , 1962.

40. WA. Mackintosh, *The Economic Background of Dominion-Provincial Relations, A Study Prepared for the Royal Commission on Dominion-Provincial Relations* (Ottawa, 1939); reprinted in the Carleton Library, 1964, 140 ff; and Clarence L. Barber, "Canadian Tariff Policy," *Canadian Journal of Economics and Political Science* 2 1 (1 9 5 5) : 513-30.

41. Young, *Canadian Commercial Policy,* 8g ff.

42. W.T Easterbrook and H.G.J. Aitken, *Canadian Economic History* (Toronto, **1956)**

43 See H.E. English, "The Role of International Trade in Canadian Economic Development since the 1920s," (PhD thesis, University of California, 1957) ; S. Stykolt and H.C. Eastman, "A Model for the Study of Protected Oligopolies," *Economic Journal* 70 (i960): 336-47; R. Dehem, "The Economics of Stunted Growth," *Canadian Journal of Economics and Political Science* 28 (1962): 502-10.

NOTES to CHAPTER 2

1. M.H. Watkins, "A Staple Theory of Economic Growth," *Canadian Journal of Economics and Political Science* 29 (1963) : 141-58; reprinted above.

2. I previously revisited the theory, albeit less explicitly, in "Resources and Underdevelopment" in Robert Laxer (ed.), *(Canada) Ltd: The Political Economy of Dependency* (Toronto, 1973); and "Economic Development in Canada" in Immanuel Wallerstein (ed.), *World Inequality: Origins and Perspectives on the World System* (Montreal, 1976). I define analytical interest in such a way as to exclude the writings of what might be called an institu tional approach, having in mind the important, albeit different, writings of W.T Easterbrook and Abraham Rotstein.

3. It is not my intention to classify people in a manner that may be unaccept able to them. Whether or not availing oneself of the Marxist paradigm makes one a Marxist in any other sense is not relevant to scholarship. We now have it on the authority of Paul Samuelson that we all have something to gain from the use of Marxist analysis (see the most recent edition of *Economics).* One response to my 1963 paper by Innisians was that it emascu lated Innis. Such people may object even more strenuously to the suggestion that Innis should now be translated explicitly into the Marxist paradigm. But there are only two paradigms, and translating into both is in order.

4. See Daniel Drache, "Rediscovering Canadian Political Economy, *"Journal of Canadian Studies* 11 (Aug.1976): 3-18.

5. Gordon W. Bertram, "Economic Growth and Canadian Industry, 1870-1915: The Staples Model and the 'Take-Off Hypothesis," *Canadian Journal of Economics and Political Science* (1963) 29: 162-84; and Richard E. Caves, "'Vent for Surplus' Models of Trade and Growth," in *Trade, Growth and the. Balance of Payments: Essays in Honour of Gottfried Haberler* (Chicago, 1965). EJ. Chambers and D.F. Gordon, "Primary Products and Economic Growth: An Empirical Measurement," *Journal of Political Economy* 74 (1966): 315-32. Among the responses to Chambers and Gordon are Bertram, "The Relevance of the Wheat Boom in Canadian Economic His tory," *Canadian Journal of Economics §* (1973); Caves, "Export-Led Growth and the New Economic History," in Jagdish N. Bhagwati *et al,* eds., *Trade, Balance of Payments and Growth: Papers in International Economics in Honor of Charks P. Kindleberger*

(Amsterdam, ig7i);J.H. Dales, J.C. McManus and M.H. Watkins, "Primary Products and Economic Growth: A Comment," *Journal of Political Economy* (1967); and Edward Vickery, "Exports and North American Economic Growth: 'Structuralist' and 'Staples' Models in Historical Perspectives," *Canadian Journal of Economics* 7 (1974).

6. Daniel Drache, "Harold Innis: A Canadian Nationalist," *journal of Cana dian Studies*4 (May 1969): 7-12; and "Rediscovering."

7. So too did some prominent Canadian historians. The sub-title of Craig Brown and Ramsay Cook's *Canada, 1896-11)21* is *A Nation Transformed,* thereby begging two questions. Certainly Innis and Creighton raised doubts as to the extent of nationhood from anything but a narrow juridical perspective, and Caves and Holton demonstrate that there was no discontinuity in this period that would justify the use of the word "trans formed." See Richard E. Caves and Richard H. Holton, *The Canadian Econ omy: Prospects and Retrospects* (Cambridge, Mass., 1959). Yet Margaret Prang says that the sub-title of the book "could scarcely be more aptly chosen" *(Canadian Forum,* October 1974).

8. L.R. MacDonald, "Merchants against Industry: An Idea and its Origins," *Canadian Historical Review* (September 1975).

9. Caves,'"Vent for Surplus,'" 112-14.

10. '"Vent for Surplus,'" 102, ii5;cf. R.E. Baldwin, "Patterns of Development in Newly Settled Regions, *Manchester School of Economics and Social Studies* (1956) which was central to the analysis of my 1963 paper, and also his "Export Technology and Development from a Subsistence Level," *Economic Journal (*1963).

11. Chambers and Gordon, "Primary Products." It all the more unfortunate that the Canadian edition of Samuelson's *Economics* (4th Canadian edition, 1975: 679) - though Canadianized by Anthony Scott, a specialist in re source economics - insists on taking Chambers and Gordon seriously.

12. Caves, "Export-Led Growth," 434, 436, 409.

13. A.E. Safarian, *Foreign Oivnership of Canadian Industry* (Toronto, 1966); Canada, Privy Council, *Foreign Ownership and the Structure of Canadian Indus try [the Watkins Report]* (Ottawa, 1968); Canada, *Foreign Direct Investment in Canada [the Gray Report]* (Ottawa, 1972); Kari Levitt, *Silent Surrender: The Multinational Corporation in Canada* (Toronto, 1970).

14. R.T Naylor, *The History of Canadian Business,* vols. 1 and 2 (Toronto: 1975>-

15. H.A. Innis, *The Fur Trade in Canada: An Introduction to Canadian Economic History* (Toronto, 1930; 2nd ed. 1956), 385.

16. R.T. Naylor, *The History of Canadian Business 1867-1914,* 2 vols. (Toronto, 1975). i:56-7-

17. Pierre L. Bourgault, *Innovation and the Structure of Canadian Industry,* Science Council of Canada , Special Study No.23 (Ottawa, 1972).

18.Eric Kierans, *Report on Natural Resources Policy in Manitoba* (Manitoba, 1973).

19. Bourgault observes that Canada is becoming increasingly reliant on staple exports and that if we keep on this path "Before the children of today could reach middle age most of the resources would be gone, leaving Canada with a resource-based economy and no resources" (126).

20. H.V. Nelles, *The Politics of Development: Forest, Mines and Hydro-electric Power in Ontario,* 1849-1941 (Toronto, 1974); E.E. Rich, *Hudson's Bay Company,* 1670-1870, 2 vols. (London, 1958-1959).

21. Morris Zaslow, *The Opening of the Canadian North, 1870-1914* (Toronto, 1971); KJ. Rea, *The Political Economy of the Canadian North* (Toronto, 1968).

22. See Mel Watkins, ed., *Dene Nation: The Colony Within* (Toronto, 1977).

23. Naylor, *History,* 1: xix.

24. Naylor, *History,* 1: 3-4.

25.Naylor, *History,* 1:15; see also Bruce Archibald, "Atlantic Regional Under-Development and Socialism" in Laurier LaPierre *et. al.* (eds.), *Essays on the Left* (Toronto, 1971).

26. Naylor, *History,* 1: 110, 67.

27. Naylor, *History,* 2: 283.

28. Stanley Ryerson, *Unequal Union* (Toronto, 1968).

29. MacDonald, "Merchants against Industry," 266 , which is a critique of R.T. Naylor, "The Rise and Fall of the Third Commercial Empire of the St. Lawrence" in Gary Teeple (ed.), *Capitalism and the National Question in Canada* (Toronto, 1972), 1-41. It is not at all clear what MacDonald in tends us to believe about the nature of the Canadian capitalist class; he re jects Naylor's explanation without choosing to give us any indication of what he would put in its place. From what he does tell us, he seriously un derestimates the extent of American control of the Canadian economy by 1914 (cf. Glen Williams, "Canadian Industrialization: We Ain't Growin' Nowhere," *This Magazine* (March-April 1975), and Tom Naylor "Commen tary" on Simon Rosenblum, "Economic Nationalism and the English-Canadian Socialist

Movement," *Our Generation,* 2 (Fall 1975): 20-1.) MacDonald also profoundly misunderstands the nature of the multina tional corporation when he writes that "Possibly the origin of the branch plant should be sought not in industry but in trade: from a management standpoint it was the application to manufacturing of the organizational principles of a commercial branch of a trading company" (269). This flies in the face of virtually all known literature on the multinational corpora tion; see particularly the writings of Stephen Hymer, who made signal contributions successively to both the liberal and Marxist analysis of foreign ownership.

30. Wallace Clement, *The Canadian Corporate Elite: An Analysis of Economic Poiuer* (Toronto, 1975), 150, 335.
31. Wallace Clement, *Continental Corporate Power: Economic Elite Linkages between Canada and the United States* (Toronto, 1977).
32. See my "The 'American System' and Canada's National Policy," *Bulletin of the Canadian Association of American Studies* (Winter 1967).
33. This point became very evident to me on reading Nelles' chapter of the nickel industry in *Politics of Development;* see my "Economic Development in Canada." On the subsidies to foreign capital in the period 1945-1957, and their apparent success in leading to a quantum leap in American own ership of the Canadian economy, see David Wolfe, "Political Culture, Eco nomic Policy and the Growth of Foreign Involvement in Canada, 1945-1957" (M.A. Thesis, Carleton University, 1973).
34. Innis, *Fur Trade,* 2nd. ed., 383, 401.
35. For an elaboration on this and its relevance to the North today, see Watkins, "Dene Nation."
36. See *Monthly Review* (May 1976) for an exchange between Robert Sherry and James O'Connor on independent commodity production in early America.
37. This is a major theme of Leo A.Johnson, "The development of class in Canada in the twentieth century" in *Teeple (ed.) Capitalism.* On the nature of Canada's capitalist class and the general issues of Canadian depen dency, however, Johnson's views are confused and unreliable. At best, there is an apparent tendency to agree with everyone. At worst, there is a willingness to endorse utterly useless sectarian scribbling; on the latter, see his effusive "Introduction" to Steve Moore and Debi Wells, *Imperialism and the National Question in Canada* (Toronto, 1975) and compare with the devastating critiques of the book by Ian Lumsden in *This Magazine* (Nov.-Dec. 1975) and Jack Warnock in *Canadian Dimension* (March, 1976).
38. H.C. Pentland, "The Development of a Capitalistic Labour Market in Canada," *Canadian Journal of Economics and Political Science* 25 (1959): 456-7. For a fuller statement see his *Labour and Capital in Canada, 1650-1860,* ed ited by Paul Phillips (Toronto: Lorimer, 1981), written in i960 and pub lished posthumously. Pentland deserves great credit for working within the Marxist paradigm when it was distinctly unusual to do so, and the tendency for his work to be ignored by the mainstream of Canadian economic histori ans - including myself in the 1963 article - tells us much about the limita tions of orthodox economics as it impinges on economic history.
39. Gary Teeple, "Land, labour and capital in pre-Confederation Canada," in Teeple (ed.), *Capitalism,* 45.
40. Robert H. Babcock, *Gompers in Canada: A Study in American Continentalism Before the First World War* (Toronto, 1974). See also Charles Lipton, *The Trade Union Movement in Canada 1827-1959* (Montreal, 1967); I.M. Abella, *Nationalism, Communism and Canadian Labour: The cio, the Communist Party and the Canadian Congress of Labour 1935-1956* (Toronto, x973) ***J*** an d tne essays by Roger Howard and Jack Scott, R.B. Morris, and Lipton in Teeple (ed.), *Capitalism.*
41. Babcock, *Gompers,* 210-16.
42. James Laxer's "Introduction to the Political Economy of Canada," in R. Laxer, *(ed.) (Canada) Ltd.,* 37-40, is particularly suggestive.
43. Geoffrey Kay, *Development and Underdevelopment: A Marxist Analysis* (London,1975).

Staples and Beyond

Selected Writings of Mel Watkins

Edited by Hugh Grant and David Wolfe

CHAPTER 3

The Dene Nation: From Underdevelopment to Development (1977)

A revision of the Preface and "From Development to Underdevelopment," in Mel Watkins, ed., Dene Nation: The Colony Within, *ix-xii, 84-99 (Toronto: University of Toronto Press, 1977).*

(All emphasis by the Web Ed.)

The aboriginal people of the Mackenzie District, who call them selves the Dene (pronounced "Dennay"), today face the final onslaught of "progress" in the form of applications to build a natural gas pipeline down the Mackenzie Valley through their homeland. To their great credit, the Dene are struggling mightily against these proposals. In the process, they are greatly strengthening their identity as a people and are once again asserting their rights as a nation. They are telling the rest of the world, and southern Canadians in particular, what colonialism has done to them and how they intend to decolonize themselves.

The government of Canada established the Mackenzie Valley Pipeline Inquiry under Justice Thomas R. Berger of the Supreme Court of British Columbia (the Berger Inquiry) to consider the separate proposals of the applicants, Canadian Arctic Gas Pipelines Ltd (Arctic Gas or CAGPL) and Foothills Pipe Lines Ltd, to build pipe lines up the Mackenzie Valley. Arctic Gas proposed to bring both Alaskan gas and Canadian gas -- to the extent that the latter exists -- up the valley. Foothills proposes to bring only Canadian gas, but are willing to transport Alaskan gas via the Fairbanks corridor (or "Alcan") route. The two routes up the valley vary somewhat, but for the Dene the differences are incidental. Either pipeline would pass through the lands they have occupied and used since time immemorial. The land claim of the Dene is for these lands. It is with respect to these lands that the Dene have gone to the courts to endeavour to file a caveat to stop further "development" that prejudices their claim.

Under these circumstances, the Dene have very properly made use of the Berger Inquiry to further their cause. They have spoken eloquently to Judge Berger, both at hearings in their communities and at the formal sittings of the Inquiry in Yellowknife. They have enlisted the support of many non-Dene "experts" in a variety of fields so as to translate their concerns into the language of the non-Dene.

In doing this, the Dene have gone beyond simply showing the ad verse effects of a pipeline, serious though these would be. They have gone beyond simply asserting their ownership of the land, real though that is, or should be. Rather, they have come to the fundamental perception that their

struggle is for the most universal of human rights, the right to be a self-determining people. It is this right which the Dene insist the federal government must recognize as an integral part of aboriginal rights. The Dene recognize the ex tent to which they have become a colonized people and they have begun to move down the long and difficult road to decolonize themselves. In their striving for liberation, they have understand ably found sustenance in the increasingly successful struggles of colonized peoples elsewhere in the world.

The pipeline applicants, Arctic Gas and Foothills, assert in effect that the proposed gas pipeline provides a new opportunity for northern native people. The form that opportunity is said to take is the increased potential for wage-employment. They point to the ex tent of present unemployment among native people as evidence of the need for this opportunity, though they presumably overestimate this to the same extent as they underestimate the number of active hunters, fishers, and trappers. In any event, they have some difficulty squaring their assertion with the extent of earlier job-creating projects, notably in mining, but resolve the matter by insisting that the pipeline will constitute a break with the past. They emphasize that the jobs created in the operations phase, but not of course in the construction phase, will be permanent rather than transitory -- though, again, they beg the question of how this is different from mining, as well as the question of how permanent is permanent. Finally, they appeal to the training program for northerners. They are right to do this, since it would appear to be the only novel feature of the pipeline relative to the other earlier projects, though it is certainly a moot point whether such a modest program can reasonably bear the weight of legitimizing the pipeline as a break with the past.

As well, the applicants assert their respect for native land claims, and urge both the native organizations and the government to settle them so that their projects can proceed. They ap pear to assert that a pipeline prior to a land settlement will not prejudice the claim, though they simultaneously pretend not to know what the claim is really about in the absence of specific de tails. They refuse to accept the Dene position that a pipeline can under no circumstances be started prior to a land settlement. They do not appear to have responded to the assertion that the Dene land claim is centrally about the political, and human, right to alternative development.

If we are to evaluate these assertions, and consider the probable impact of a pipeline, we need to know something about, first, the nature of past development and the present condition of native people, and second, the nature and extent of the land claim, or the nature of alternative development, both for their own sake and for the purpose of assessing prejudice to the claim.

At the same time, we can speak to the positive assertions of the Dene: that they own 450,000 square miles of land; that their title to the land should be recognized rather than extinguished; that their aboriginal and human rights transcend property rights to include political rights, namely, the right to self-determination as a nation; that their desire for economic independence can be met by creating

alternative community-based economic development under their control; that further development, and particularly the proposed pipeline, threatens gravely to prejudice the land claim by eroding their aboriginal and human rights.

PAST AND PRESENT DEVELOPMENT

The first notion of which we should disabuse ourselves is that what the applicants have in mind for the North is novel from any historical perspective. Quite the contrary. The history of Canada, as written by the greatest of our historians, is as a succession of staple exports from successive geographic frontiers to serve the needs of more advanced industrial areas. The great export commodities have been fish, fur, square timber, lumber, wheat, pulp and paper, minerals, and oil and gas. The consequences for Canada have been profound. As Innis writes:

Concentration on the production of staples for export to more highly industrialized areas in Europe and later in the United States had broad implications for the Canadian economic, political and social structure. Each staple in its turn left its stamp, and the shift to new staples invariably produced periods of crises in which adjustments in the old structure were painfully made and a new pattern created in relation to a new staple.[1]

The methodology of this "staples approach" is directly helpful to us in considering the matter of "impact." The impact of the proposed pipeline is simply the "stamp" of the oil and gas industry on Canada in general and the North in particular. The North is experiencing "the shift to a new staple"; the result is a "period of crisis" and of "painful adjustments."

What is the impact of a staple? First, all of the staple trades have in common a bias towards serving the needs of more advanced metropolitan areas -- once France, then Britain, and now the United States. This is clearly relevant when we are told, as in the present case, that the Dene interest must yield to the higher national inter est. Not only is the hinterland interest being made subservient to the national interest, but by some sleight of hand the national interest is equated with the metropolitan interest.

Second, each staple leaves its particular stamp. Two great staple trades have dominated the North, the fur trade and now, increasingly, minerals (mining and petroleum, the economic characteristics of which are the same, that is, the highly capital-intensive exploitation of non-renewable resources). These two staples have had profoundly different economic impacts on aboriginal peoples.

But first we need to retreat for a moment and see how aboriginal peoples fit, in the most fundamental sense, into this approach to the story of Canadian development, past and present. Only in the fur trade era

were aboriginal peoples functional to Euro-Canadians, and as the fur trade retreated in the face of settlement they were deemed irrelevant. It is that fate, which was visited upon other aboriginal peoples as the European frontier moved inexorably west and north, that now faces the Dene. Today aboriginal peoples are the majority in the NWT but, of course, that has been true initially in each of these successive frontiers.

There is an awful truth about the manner in which this country was "born" and has since been successively rejuvenated. We cannot change that history, but we can learn from it and resolve "never again." Put differently, the exigencies of staple production must make allowance in the North, for the first time, for the reality of aboriginal rights; unless that is done, nothing will really change.

Let us now look briefly at the specific and differing impacts of fur and minerals as staples. To begin, there is the theoretical question of the mechanisms by which production and trade of a particular staple leaves its stamp. It is clear from the quotation from Innis that these are pervasive, but at least with respect to the central eco nomic mechanisms they can be broken down by focusing on the actual mode of staple production and the linkages to other sectors of the economy.

The mode of production can be understood for present purposes as the particular mix of factors of production -- of land (that is, natural resources), labour, and capital -- used to produce the staple within, at any moment of time, a given technological and institutional framework. The linkages are the spread effects from the staple sector to other sectors of the economy, and particularly the local economy, through the market mechanism. They can be conveniently classified as threefold: forward linkage, that is, further processing of the staple; backward linkage, that is, the production of inputs including capital goods for use in production of the staple; and final demand linkage, that is, the spending of the income received by the commodity producers or workers on consumer goods. In each case, the stronger the linkages, the greater the in come generated in the local economy -- or, in the language of the economist, the higher the multiplier.

The prosecution of the fur trade depended, at least initially in each region into which the trade expanded, on aboriginal fur gatherers. As such aboriginal peoples were commodity producers, not wage-earners, and the fur trade was literally a trade, or a commercial activity, not an industrial activity. Aboriginal producers became dependent to the extent that they became vulnerable to the exigen cies of the trade, but they did not have to make two critical and traumatic adjustments that result from imposed industrialization. First, they did not have to become wage-earners, and second, which is really the opposite side of the coin, they did not have to yield ownership of the land. To put the matter differently, neither their labour-time nor their land became marketable commodities.

This point is of the first importance. For the student of economic history in general, no theme is so compelling as the process by which land-bound people -- typically agrarian but sometimes nomadic --

are turned, against their will, into industrial-workers. In general, it has not been a voluntary process, the mere offering of another option as the applicants like to phrase it. Rather, the tendency has been for people to be pushed off the land or to have others sell it from beneath their feet. To turn land-bound people into landless wage-earners has typically involved coercion.

Now mineral production (including petroleum) is an industry not a trade, and it needs both rights to the use of land and people who will work for a wage. The Hudson's Bay Company, as a fur-trading company, did not need to own the land; indeed, it was in its interest to allow aboriginal ownership of land to continue, the better to trap on it, and to discourage white settlement. Only when settlement overrode the fur trade, or promised imminently to do so, as it did in the West, did the Bay see fit to transform itself into a real-estate company and to pretend, successfully as it turned out, that *it* owned aboriginal land and was entitled to compensation rather than the aboriginal peoples.

But for the mining and petroleum companies, no such ambiguity is tolerable. Ownership arrangements with respect to the land must be such that they have a clear right to take minerals from the sub surface and to transport minerals over the surface. **Hence, in the con text of the present situation, they act on the assumption that it is not Dene land, but Crown land, and if that is not so now it should be made so by a land settlement that extinguishes aboriginal title; the land, then, either is or must become Crown land, and the companies know full well the propensity of the Crown to let them extract re sources.** Furthermore, since "land" is simply a commodity, should the Dene perchance own some land that is needed -- either because title has not been resolved or because property rights have been vested with the Dene as part of a land settlement -- the companies reply that they can buy it, and should the Dene be unwilling to sell, the companies say that they can, with the help of the Crown, expropriate it.[2]

This helps us to understand what a "land settlement" must necessarily mean to the industry, namely, extinguishing native title to the land or, as a minimum, limiting any recognition of aboriginal rights to property rights subject to expropriation, so as to remove an impediment to industrial activity.

The industry needs labour as well, but here we do not need to be cynical to see that Dene labour is hardly so essential as Dene land. Non-aboriginal labour is generally readily available from the South -- and this is particularly so now given the extent of unemployment -- and has the advantage that it is not "raw" labour but trained and disciplined labour. **The record of the mining industry, or of the Imperial Oil refinery at Norman Wells, in this regard, namely, their failure over long periods of time to employ much native labour and, when they did, mostly in the most menial and casual *occupations, is sufficient demonstration of how the economics of the matter works.*** True, the government now in sists on the employment of native labour, and industry is generally compliant -- in part because much of the training costs are paid by the government -- but the motives involved are at best mixed. It is good public relations for both government and industry, and in general has more to do with politics than with economics. And

there are incidental advantages. To the extent it works, it means less native use of the land, relative to what would otherwise be the case, and hence can be alleged to diminish the potency of a land claim based on land use (though not, of course, the possessory rights that flow from land occupancy since time immemorial). For the government, the whole scheme can to some extent be seen as a substitute for welfare. ***When all is said and done, what is involved for aboriginal peoples is a swap -- a job in the wage economy for abandoning and yielding up the land. We need to have only the slightest knowledge of the value of the natural re sources of the North to the companies to know what an unequal bargain that is for the Dene.***

We can get some idea of that value by enquiring about the role of capital and the nature of its return, and a closely related matter, namely, who gets the return to land, or "economic rent." Up to a point, the matter is straightforward. Under the market system, the providers of capital receive dividends and interest. All we need add is that the owners of this capital may reside outside the region -- as they clearly do in the cases of both the fur trade and mineral production in the North -- and in that case no benefit therefrom accrues to the residents of the region.

But what if staple production yields profits above and beyond those necessary to service capital? This is not a hypothetical matter, but is rather to be expected in the nature of the case. The main rea son is that staple production necessarily means exploitation of natural resources, or of "land," and since the latter is scarce, it is likely to command its own reward. **The critical question then becomes who gets the reward, or who appropriates the rents. Logic suggests that the answer is the owner of the land. If, as is alleged in the North, the Crown owns the land, then it should get the rents, and that is a rationale for royalties and other forms of taxation of the resource industries. If the Crown fails to appropriate the rents -- as it largely does in the North and as it apparently intends to continue doing in the future -- they are transformed into "super-profits" and are appropriated by the owners of the capital or, in effect, the corporation itself for purposes of reinvestment.** There is, however, no reason to expect that they will be reinvested within the staple-producing region which generated them, and every reason to expect that they will not be reinvested in the region in other activities that serve local priori ties. What tends to happen, then, is that the return to capital and to land leaves the region; all that remains is the return to labour, and that only to the extent it is resident labour.

To cast the Dene simply as wage-earners, as the applicants do, is then not only to cast them in a role they may not want, but to deny them their role as the land-owners who should be entitled to appropriate the rents from projects which they choose to let proceed on their land. That denial is critical, for it means that the once-and-for-all rents generated within the region, from non-renewable resources that are in due course depleted, are ultimately reinvested at the behest of the corporation outside the region, rather than being rein vested within the region by the people themselves, in activities based on renewable resources that could survive after the non-renewable resources are exhausted.

In this respect, the oil industry is no different from the fur trade. The Hudson's Bay Company appropriated such enormous surpluses from the fur trade that it is now a major retailer, real estate devel oper, and shareholder in the oil and gas industry. Indeed, beyond that, the fortunes that originated in the fur trade went on to spawn yet greater fortunes in banking and railways. Of what benefit has this been to the northern aboriginal peoples who produced the fur?

When the resource is non-renewable, as it is for mining and oil and gas, the major legacy of failing to keep the surpluses in the region to seed other activities is the well-known Canadian phenomenon of the ghost town. As Northrop Frye observes in his "Images of Canada" television special on the CBC, "Canada is full of ghost towns: visible ruins unparalleled in Europe." The ghost town symbolizes everything that aboriginal peoples, as the long-term residents of the North, have to fear from the present mode of staple production; for by then who knows what cumulative damage will have been done to their land and its ability to support them?

There is also the matter of linkages of the staple sector to other sectors of the local economy. None of these linkages operate so as to create much economic activity in the North beyond the primary sector itself, and there is little reason to expect this to change. The primary product tends to be exported in a relatively unprocessed form, and there is a high propensity to import both capital goods and consumer goods. Rather, the linkages tend to generate eco nomic activity in southern Canada, the US and elsewhere, thereby creating benefits outside the North. (This does *not* mean that there is necessarily a net benefit to southern Canadians. Whether or not there is depends as well on the effects of frontier development on primary product prices, and hence indirectly on the prices of other commodities embodying the primary product. If the price of the staple rises to make frontier production possible, this will lower the real incomes of those who, directly or indirectly, consume the staple. This phenomenon is clearly relevant with respect to high-cost northern oil and gas and very probably makes the net benefit to the great majority of southern Canadians negative.)

Predictably, the tactic of the businessmen and government of the staple-exporting region is to attempt to increase the linkages within the region. Whatever crumbs they achieve by this strategy are, of course, necessarily obtained by their having to opt wholeheartedly for continuing staple production. Hence, it is no surprise that local business interests in the North are solidly behind the pipeline, and that the territorial government conceives of aboriginal economic development as helping the Dene to get a piece of the action that will be generated in other sectors by the pipeline -- in spite of the fact that the latter has about it something of the aura of asking the condemned man to take up rope manufacturing.

Nor can it be assumed that an existing local enterprise will necessarily reap any benefit at all from a resource boom; it may even be left worse off. In his testimony before the Berger Inquiry at the community hearing in Fort Resolution, Father Lou Menex gave no less than four examples for that community alone -- the fur business, river transportation, saw milling and commercial fishing -- where existing native involvement was pushed aside by subsequent rounds of activity. Some of those awaiting the pipeline will experience not a linkage effect but a shrinkage effect.

It was noted at the beginning of this analytical discourse that staple production takes place within a framework of technology and institutions. These are not ordained from on high, but are hu man-made; nevertheless, for the staple-producing region they are largely imposed, being created and controlled by outside interests. This is very clear today in the mineral sector of the North, where the technology is highly capital-intensive and a small number of large companies are dominant. In so far as the technology is difficult to alter, the message for local people, and above all for the Dene as the permanent residents, is, again, not to be satisfied with merely being wage-earners in the mineral sector, but rather to focus on the rents which otherwise accrue to capital and are drained away. ***In so far as the corporations, as the dominant institutions, are difficult to alter, and the government is an alien institution subservient to corporate needs, the relevant message for the Dene is to create a new institutional framework within the North under the control of the Dene to which these entities must adapt.***

Large-scale resource projects are said by their proponents to create "development." In fact, for native people what has resulted is properly characterized as "underdevelopment." The process of underdevelopment permits of a reasonably precise definition, namely, the "blockage of potential, sustained economic and social development geared to local human needs."[3] The primary mechanism by which local development is suppressed is by the outward drain of economic surplus from the region. The most significant loss from the failure to retain surplus is the destruction of local self-determination.

Let no one doubt that the outflow of income generated in the North is large. This is evident from an examination of the social accounts of the North by John Palmer of Indian and Northern Affairs for the period 1967 to 1970. In 1970, Gross National Product (GNP) per capita for all of Canada was $3,866, while Gross Domes tic Product (GDP) per capita (conceptually virtually the same as Canadian GNP) for the NWT *(NorthWest Territories)* was much higher at $5,311. Now the high figure for the North is because GDP includes all income originating in the North, and hence includes non-resident earnings of both individuals and corporations, but that only demonstrates the extent to which wealth is in fact created in the North but drained out as wages and salaries to southerners and cash flow from northern businesses to southern interests. **In 1970, of GDP for both the Yukon and Northwest Territories of $266.1 million, $80.4 million was not retained in the North, $32.2 million going out as wages and salaries and $48.2 million as business cash flow.[4]**

Other comparisons are possible for the single year 1969. Per capita personal income (the income actually received by persons) was $2,915 for all Canadians, approximately $1,100 for Treaty Indians and Inuit of the NWT, and approximately $3,000 for other residents of the NWT. Total native personal income (with native defined, by those who collected the data, as Treaty Indians and Inuit) is estimated as $20.5 million in 1969 -- though this is clearly too low because of an underestimate of the value of country food. ***In that same year, the gross return on capital (before tax) in the mining sector in the NWT was $37.4 million, of which only $4.6 million was retained in the North.*** Arvin Jelliss' rent estimates for the producing mines of the NWT show economic rents proper -- after allowing for a 15 per cent return on capital, net of taxes and royalties -- of $15.9 million in 1970 (and very much higher in 1973 and 1974).[5]

The ultimate hallmark of underdevelopment is marginality. Economically, it manifests itself as poverty, unemployment and welfare. (Rather than seeing welfare as "charity," we should appreciate its hidden dimensions. For the Dene, it avoids integration into the wage economy, and is therefore a form of resistance. For the dominant society, it is something it can afford, for there are not that many Dene, and the long-run effect of welfare, to the extent it de moralizes and degrades people, discourages concerted use of the land, and thus helps to dispossess the Dene of their land.) Socially, it manifests itself in alcoholism, family breakdown, and suicide. Politically, it manifests itself in feelings of hopelessness and apathy.

The Dene have so far been spared the fullness of that fate; they are, as the applicants like to say, in a state of transition. But the di rection of history is clear. It has recently been succinctly summarized by the anthropologist, Peter Douglas Elias:

["][aboriginal] socio-economic phenomena must be studied within the historic and contemporary framework of the development of industrial, class-capitalist Canada. With the passage of time, Canada tended to acquire the "typical" characteristics of class-capitalist society. The producers, in this case the native people of Canada, were separated from the means of production, embodied, essentially, in the land and the products of the land. The means of production became concentrated and monopolized in the hands of a single social class, and native became a class owning no possessions and, ultimately, having no exchangeable commodity other than labour. Even this "typical" model of capitalist development was surpassed by natives becoming a permanently underemployed class subsisting on social assistance ... An examination of the history of native and white contact reveals the processes that culminated in the total inte gration of native peoples into contemporary Canadian society as permanent members of the underclass.["][6]

Hugh Brody tells us that the process is at work today with respect to the Inuit of the Eastern Arctic: "The most recent trends are pushing native people increasingly towards the lowest and least certain rung on the national class ladder: if separated from his own means of production and unable to have

a sure relationship to the intruders' means of production, the [Inuit] -- like many Canadian and American Indians before him -- will be turned into a migrant worker, a casual labourer, and -- as this lumpenproletarian condition develops -- prostitute, petty thief and beggar. Abundant signs of this course of events are already visible."[7] It must be insisted upon that the purpose of northern native land claims is neither more nor less than to subvert this terrible historic process.

It is important to understand as well that this way of analysing the condition of native people is very different from those who insist, explicitly or implicitly, that the reality we are observing, particularly in the North, is a "dual economy."[8] According to this view, the North is a two-sector economy, consisting of a "modern" sector and a "traditional" sector, and these two sectors are substantially separate. The "modern" sector is seen as essentially an enclave, where "development" takes place, while the "traditional" sector is stagnant and full of problems, and is not experiencing the benefits of "development." The logic of this position is that the solution lies in moving people out of the "traditional" sector and into the "mod ern" sector. The transition, though painful, is necessary. At the end of the road -- or in this case, at the end of the pipeline -- what will be created is a one-sector "modern" economy with everybody experiencing the benefits of "development."

The thrust of my argument is very different. The concept of dual economy is not helpful in analysing the history of the Mackenzie District either in the era of the fur trade or in the recent, and present, era of mineral production. In the past, when the fur trade was dominant, the economy was a one-sector native economy with trapping commercialized. The Dene benefited, though at the long-run cost of dependency. The moral seems clear: had the fur trade been controlled by the Dene, rather than by the Hudson's Bay Company, tendencies to "mining" and consequent depletion could have been curtailed; surpluses could have been kept in the region to permit more diversified development around renewable re sources, rather than being used to build edifices in Winnipeg and Toronto; and white trappers -- who became an increasingly serious problem for the Dene in this century, as Father Fumoleau has shown -- could have been excluded, assuming the political rights of the aboriginal majority were allowed to express themselves.[9]

Today, the economy is a two-sector economy with the mineral sector added to the pre-existing one-sector economy. But the two sectors are anything but separate. Rather, the operation of the "new" sector works, through a variety of mechanisms, to underdevelop the "old" sector. The economic surplus generated by the "new" sector is either used to generate further activity in the "new" sector or is drained out of the region; none even "trickles down" to the "old" sector. The white settlers attracted by the "new" sector impose alien institutions and pre-empt the power of aboriginal people; the aboriginal people experience degradation and anomie *(inequality --Ed)*.

Again, there would seem to be a clear moral: if non-renewable re source exploitation is to continue, then instead of integrating the Dene into a one-sector economy -- which they say they do not want and which does not appear to have worked elsewhere in Canada -- what should be considered is creating a two-sector economy which has the real promise of being beneficial to the Dene. That is, instead of blithely assuming that a dual economy exists today but should be encouraged to wither away in the long run, we should see that what could be created is a two-sector economy where the two sectors would coexist harmoniously. That would require us to look carefully at the means by which the present mechanisms of underdevelopment could be turned into mechanisms of development.

The conclusion to this point is that staple production, by its inherent nature, brings into play powerful structural and determinative factors. The inference is that these structural tendencies can be broken only by new institutional arrangements that permit of genuine development.

THE LAND CLAIM AND ALTERNATIVE DEVELOPMENT

The problem that some people may have in understanding the nature and extent of the land claim, is that both the word "land" and the word "claim" are somewhat misleading. To use the word "claim" is to imply that native people are claiming their homeland and rights; while the erosions of colonialism are real, we should at least say ***reclaim***. But perhaps the best word is "declaration" (as in Dene Declaration), that is, the Dene are declaring their rights; my dictionary gives as the meaning of declare "make known, proclaim publicly"; that is, it is something the declarant already knows.

To the Euro-Canadian, the word "land" conjures up **property rights*****, and property means something that is marketable and subject to expropriation. Clearly the word "land" means much more than that to the Dene and, specifically, in Euro-Canadian language, includes rights of control or*** **political** ***rights. The collective expression of political rights is what we would customarily call "self-determination." By "land claim," then, the Dene mean "a declaration of the right to self-determination"; thus, the Dene Declaration*** **IS** ***the central statement of their claim (****emphasis by the author).*

Now, self-determination is a many-faceted phenomenon, with different dimensions reinforcing each other. Thus, significant eco nomic independence, while it cannot in itself be sufficient, is nevertheless necessary for self-determination. Indeed, in so far as the Dene cannot achieve political independence -- for they accept that they are part of Canada -- the degree of economic independence needed may become that much more important.

What is here called "economic independence" is what the Dene call "alternative development." That term can be understood to mean an "alternative" to the "development" of the non-renewable resource sector, which, in fact, creates underdevelopment for native people. Along the lines suggested earlier, it could be seen as meaning a two-sector economy, that is, a non-renewable resource sector

under external ownership but subject to Dene control, and a renewable resource sector under Dene ownership and control.

Take the renewable resource sector first. A strong, indeed compelling case can surely be made for exclusive Dene rights in this sector, not only to hunt, fish, and trap but with respect to the whole area of game management -- indeed, of all renewable resource management including forests and water. While non-Dene north ern residents and the bureaucracy of the territorial government might be expected to resist this logic, it could be acceptable to the developers and the federal government, for whom the main chance is non-renewable resources (with the single exception of hydro power). But there are hidden implications not only for the develop ers -- as we shall see directly -- but also for the Dene.

For the Dene, what is at issue is not only the* protection *of their traditional economy but the right, indeed the necessity, to* create *their own contemporary economy around renewable resources. Just as it is increasingly recognized that the genuine development of the Third World hinges on agrarian reform, on the modernization of agriculture to serve domestic needs, so the genuine development of the North hinges on the modernization of the renewable re sources sector by the Dene to serve Dene needs. Productivity must be improved and, given the extent both of present underemployment and the rapid growth of the aboriginal population, the sector must be expanded so that more people can be gainfully engaged in it. It would appear that the Dene prefer involvement in the renewable resource sector to involvement, at least on a full-time basis, in the non-renewable resource sector, but a restructuring of the renewable resource sector must take place so that it becomes a clearly viable sector in material terms. Given the government's obsession with the non-renewable resource sector to the virtual exclusion of all other considerations, such restructuring is, to say the least, unlikely to take place except in the context of a land settlement and its subsequent implementation. In any event, it will hardly constitute Dene development unless it is done by the Dene themselves *(emphasis by the author).*

It would be a considerable advance to have the recognition of exclusive Dene rights to harvest and to manage renewable resources, but it would not be sufficient. There are two reasons why this is so, that is, there are at least two identifiable mechanisms of underdevelopment which impinge on the renewable resource sector from the non-renewable resource sector and which would have to be converted into mechanisms of development.

The first is that activity in the non-renewable resource sector does damage to the renewable resource base and thereby threatens the continuing viability of that sector. The Dene can only be effectively protected against this by having themselves the power to protect their land. Even the exclusive right to use the renewable resources will be of insufficient avail if the right is not protected. Hence, alternative development must include the right to control the non-renewable resource sector so as to limit environmental degradation and competing uses to an extent that is tolerable to the Dene.

The second mechanism of underdevelopment is the failure of economic surplus generated in the non-renewable resource sector to accrue to the benefit of the renewable resource sector. What is at issue here is not only the right of the landowner to appropriate the rent, but the loss of the potential to create Dene development when that does not happen. Put more concretely, to create a viable Dene renewable resource sector requires both capital goods and Dene with both "traditional" and "modern" skills. Both of these, in turn, require money. So long as the money is made available under the white man's control -- whether it be so-called Indian economic development funds under government auspices, or whether it be the building and operating of schools that destroy all-round Dene skills -- then Dene development is a contradiction in terms. ***Hence, the right to alternative development must include the right to tax the non-renewable resource sector, or impose royalties thereon, so as to fund the Dene economy, and the Dene institutions, which will permit of continuing Dene development.***

This is not to pretend to make a judgment about exactly how much rent should go to the Dene, but some principles can be laid down. First, given the observed failure of the government to come anywhere near to appropriating fully economic rents in the North and the apparent intention to continue to operate that way for the indefinite future, there is a good deal of room for the Dene to ap propriate rents at no cost to the great majority of southern Canadians, who are not shareholders in the oil and mining industries, but solely at the cost of reducing the super-profits of the corporations. Second, the Dene would have the right to forgo rent by vetoing projects, or short of that, compelling changes in them that would increase costs to the companies and hence lessen the rents available for appropriation. A specific variant on this -- which has received the tentative blessing of the Science Council[10] -- would be to discourage new town sites particularly for mines, and generally encourage the flying in and out of personnel from the south; this would presumably increase the costs to the companies, but would not necessarily increase the true social costs which include large costs for infrastructure, mostly borne not by the companies but rather by governments and individuals. Third, if rents accruing to the Dene are to be justified by some criteria based on need -- that is, the Dene should get enough but not too much -- then the criteria implicit in this analysis are simply what is necessary both to pro vide capital for community-based economic development -- until it becomes viable and self-sustaining and has created full employment in the communities -- and to permit the ongoing subsidization of Dene institutions. If schools are included in the latter because the Dene were to so wish, then it should be borne in mind that there is no necessary net cost to society since the schools are now funded by the government rather than by the Dene them selves. A final observation on this third principle is to remind ourselves that aboriginal peoples have a tradition of sharing; in spite of statements sometimes made to the contrary, there is no evidence the Dene are asking for a "king's ransom."

A major theme of this paper is that a concern with economic development compels us to concern ourselves with *political* control. In institutional terms this implies, in the context of a land settlement, both the right of the Dene to create their own institutions and the need to limit full political rights to long-term residents of the North; specifically, the logic of this argument, though focused on the

economic, strongly supports a residency rule for participation in local and territorial elections, such as the ten-year residency rule proposed by the aboriginal organizations *(emphasis by the author).*

CONCLUSION

The most persistent argument used by developers, private and public, is that large-scale resource projects serve the "public inter est." If the residents of the region where the project is to take place object, in the final analysis they are put down by appeal to the public interest. This is justified by saying that the "national interest" must override the "regional interest," with the reality for contemporary large-scale energy resource projects being that the relevant regional interest is the "aboriginal interest." The aboriginal interest -- which is real -- is then disposed of either by saying, in effect, that it must, regrettably, be overridden, or by asserting that in some long-run sense the two interests are really identical. Yet, virtually without exception, the massive energy projects underway or planned for Northern Canada serve outside needs -- and by that I mean needs external to Canada. **So the choice is not, in fact, simply between the national interest and the regional aboriginal interest. Typically, in this century, there is the overriding American, or continental, interest, and it cannot be simply assumed that what serves the American interest automatically serves the national interest. In terms of the applicants, Arctic Gas clearly serves, first and foremost, the American interest, since it wishes to transport natural gas from one part of the United States to an other part of the United States -- a kind of contemporary version of the Panama Canal. Foothills, properly viewed, serves the continental interest, since an alternative to its pipeline for some time at least -- and which could have been done some time ago -- is to eliminate exports of gas to the US; furthermore, were it to get the government nod then, like Arctic Gas, it would have to go to bed with the same US-controlled producing companies. Also, the Arctic Gas proposal, and now Foothill's Fairbanks corridor proposal, appear to hinge on a treaty with the US guaranteeing safe passage of American gas through Canada; the erosion of Canadian sovereignty implicit in such a treaty is reminiscent of the by gone era of the DEW-line in the North.**

A significant dimension of the choice, then is choosing between the interests of non-Canadians and the interests of aboriginal pe ple who are Canadians; it is of the essence of the nature of the nation-state that it should be biased in favour of its own citizenry.

It is not only the North, as the "new frontier," which is driven by the imperatives of staple production. So too, after close to four centuries, is Canada as a whole. We cannot forever grow by expanding into new geographic frontiers, for we are running out of places to go -- and there is little merit in emulating the example of the US after its frontier closed around 1890, which finally landed it in Vietnam. The time may not be too far distant when some consider able restructuring of the Canadian economy, away from its staple-export-bias to meeting the needs of Canadians to a greater extent within itself, will be necessary. In any event, it is long overdue, and the need for a humane approach to further northern development is the best possible reason for beginning the task of restructuring now.

Many aboriginal people in this country are in their present impoverished position because of what has been done to them in the past. We can specify the mechanisms of underdevelopment by which the damage has been done. We can work out the means by which these mechanisms can be transformed into mechanisms of development. What excuse can there be for not doing it? Aboriginal peoples, right across Canada, self-evidently need control over their own economic development. That does not mean a stark choice between either "traditional" activity or wage-employment with non-aboriginal controlled enterprises. There is a third way, the way of alternative development.

The Dene assert that starting a pipeline prior to a land settlement would gravely prejudice that possibility. It is difficult to see how it could be otherwise. The companies ask: how can we avoid prejudice? The answer, which is understandably rejected by them, is that their very presence in the North before the Dene have reclaimed their historic rights, constitutes prejudice. They did not come with the consent of the Dene, so they should not be there. If they wish to be there, and to stay there, they must try to strike a bar gain with the Dene. The role of the government is to let this happen, to give the Dene the space they need -- the geographic space and the political space -- knowing that what redounds to the benefit of its least prosperous citizens must ultimately redound to the prosperity of the democratic state.

N O T E S

1 H.A. Innis, *Empire and Communications* (London 1948).

2 Rene Fumoleau documents how the Klondike gold rush led to the signing of Treaty 8 in 1899, and how Imperial Oil's discovery of oil near Fort Norman led to the signing of Treaty 11 in 1921 *(As Long as This Land Shall Last: A History of Treaty 8 and Treaty 11, 1870-1939* (Toronto, 1975)). It would be difficult to find clearer cases of government policy as a response to the needs of staple producers, and there is no reason for believing that the current land-claims process amounts to anything different.

3 Russ Rothney and Steve Watson, "A Brief Economic History of Northern Manitoba," (mimeo 1975), hi. They insist on the need to pay attention to "restrictions on local social and economic development generated by institutional processes of surplus extraction in the region. These processes hinge upon specific relations between social-economic classes and be tween commercial metropoles and their economic hinterlands."

4 John Palmer, *Measurement of the Value of Economic Activity in the North* (Ottawa: Department of Indian Affairs and Northern Development 1974).

5 Arvin Jelliss, "The Loss of Economic Rents," in Mel Watkins, ed. *Dene Nation: The Colony Within* (Toronto: University of Toronto Press, 1977), 62-74.

6 Peter Douglas Elias, *Metropolis and Hinterland in Northern Manitoba* (Winnipeg 1975).

7 Hugh Brody, *The People's Land: Eskimos and Whites in the Eastern Arctic* (London, 1975), 229. On tendencies toward the emergence of a class structure along ethnic lines in the Western Arctic, see Peter Usher, "Geographers and Northern Development: Some Social and Political Considerations," *Alternatives* (Autumn 1974) and "The Class System, Metropolitan Dominance and Northern Development," a paper presented to the Canadian Association of Geographers, Vancouver, 1975.

8 K.J. Rea, *The Political Economy of the Canadian North* (Toronto, 1968) and *The Political Economy of Northern Development,* Science Council of Canada Background Study No.36 (Ottawa, 1976).

9 Fumoleau, *As Long as This Land Shall Last.*

10 Science Council of Canada, *Discussion Paper on Northern Development* (Ottawa 1975).

Staples and Beyond

Selected Writings of Mel Watkins

Edited by Hugh Grant and David Wolfe

CHAPTER 4

Canadian Capitalism in Transition (1997)

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(All emphasis by the Web Ed.)

Why are some countries rich, some countries poor, and others in between? Why, even in the rich countries, are some years good, with the economy booming, and other years bad, with the economy stagnating or even falling back? **These matters have concerned the great political economists from Adam Smith in the eighteenth century to Karl Marx in the nineteenth to John Maynard Keynes and Joseph Schumpeter in the twentieth.**

As well, countries grow and suffer crises in different ways -- not totally different, of course, but at least somewhat. In the best of circumstances, the result will be an indigenous political economy tradition that grasps the nettle of that distinctiveness. Such has been the Canadian experience, from the old political economy earlier this century, led by Harold Adams Innis and W.A. Mackintosh, to a new political economy of recent years, with myriad contributors.[1]

Questions abound. Canada is a rich country, unambiguously so by global standards (which does not mean that there are no poor people in Canada, for there are many -- indeed, indefensibly so, given that overall level of affluence). How did it get that way?

Canada is noted for the abundance of natural resources, or staples, and its reliance on their export. Has that situation given a particular character or specificity, to the economy, while providing an important clue as to how growth has taken place, at least initially and perhaps even down to the present day? (How much does history count? How much does an economy's condition depend on where it was? In fact, economists who study economic growth do talk increasingly about "path dependency.") **Staple exports have tended to set the pace for the economy, sometimes fast and sometimes slow. How have, different staples left their distinctive stamp on Canadian society?**

Canada is an industrialized country: its prime minister is allowed to attend the prestigious annual economic summit of the seven leading industrial nations of the world. But does the flip side of the staples cast of the Canadian economy give it the least-rounded industrial structure of the seven? (The now-defunct Science Council of Canada called the nation's industrial structure "truncated" and was abolished for such frank talk.)

Canadian political economists since Innis have been at pains to expose the branch-plant character of this pattern of dependent industrialization. The means of production in Canada are predominantly in private hands, but many of those hands are foreign. Canada is a capitalist country, and its capitalist, or business, class is dominant. But what is the nature of that class? Is it predominantly commercial or industrial, independent or dependent?

A striking feature of the half-century of economic history since the Depression and Second World War, both globally and in Canada, is the long boom of the 1950s and ig6os down into the 1970s and the generalized crisis thereafter. Political economists in general, and the Canadian practitioners in particular, have been much preoccupied with this phenomenon. There have for years been those (such as the Russian economist N.D. Kondratieff and Joseph Schumpeter) who saw such long waves, of some fifty to sixty years, going back to Britain's Industrial Revolution more than two centuries ago.[2] Mackintosh's post-Confederation economic history of Canada was premised on recurring booms and crises associated with the changing fortunes of staples exploitation[3] - what Innis graphically called "cyclonics." The question for the nineties: is the last crisis over, or has the next boom begun?

STAPLE THEORY OF ECONOMIC GROWTH

A persistent theme in the writings of the new political economists is that there are two variants of the staples thesis -- a more optimistic version (going back to Mackintosh) of growth around a staples export base, culminating in a mature diversified economy, and a more pessimistic version (going back to Innis) of staples exploitation generating "rigidities" that reproduce economic vulnerability and dependence.[4] While it is possible to overstate the differences between Innis and Mackintosh (and lose the nuances in both), the point at issue is crucial: ***how mature has the Canadian economy become? Can it still sensibly be described as a staples economy?***

In fact, these queries beg a prior question that must be frankly faced: to what extent does the emphasis on staples capture the totality of the Canadian growth experience since the beginning? The answer is that there has always been much by way of "local growth" that escaped the net, but staples such as fish and fur "dominated" the early economic history of Canada.[5] The economy of what is today Canada has been from its Euro-Canadian beginnings an integral part of a larger North Atlantic economy and has tended to grow and fluctuate with it;[6] the edge that has made the difference (good and bad) has been the varying fate of the staples trades and industries. Yesterday's "local growth" (home production for home markets) has become, in the modern era of free trade, export-dependent manufacturing and service industries (a point to be dealt with below). Comparatively, Canada has done better than staples-biased economies such as Argentina and Australia, in part because of an abundant endowment of hydro-electric potential and fossil fuels, plus the ability to shift from agricultural staples such as wheat to industrial staples such as minerals and newsprint.[7]

Still, a recent overview of Canadian political economy, after citing the apparent importance of manufacturing and tertiary activities, concludes:

["] This is not to say that the Canadian economy is now any less reliant on natural resource-based production to generate its wealth than it was in the past. Much of Canada's manufacturing base consists of processing resource-based commodities such as lumber, pulp and paper, and various mineral and oil-based products ... ***In all, resource and resource-based activities generate as much as fifty cents out of every dollar produced in this country. This continued reliance of the Canadian economy on primary resources and resource-based manufacturing puts it at odds with the situation in many other large nation-states and has important consequences for the operation of the Canadian political economy.["][8]***

The new political economy is arguably a marriage of Innis and Marx, of staples and class.[9] The staple bias affects the capitalist class (as we see below); it also affects the rest of the class structure. A distinction must be made between the earlier staples -- trades -- and the later ones -- industries.[10] The direct producers in the staples trades are not a working class, or proletariat proper, but independent commodity producers, varying from aboriginal bands in the days of the fur trade to family farmers producing wheat. Conflict takes place around the terms of the exchange of the staple for trade-goods and interest paid on debts incurred by the direct producers; surplus is appropriated by capital via the mechanism of unequal exchange. The protest movements of western grain farmers are ample evidence of these

conflicts, from which flowed important political and economic effects. In contrast, the staple industries, such as mining and newsprint production, are industries proper, with workers who are paid a wage over which they typically bargain collectively through a union, with surplus value being appropriated in the customary, Marx-described manner. **From these conflicts emerge important consequences for wage structures and hence for living standards and for technological change; as an example, high wages create a larger domestic market for consumer goods while encouraging labour-saving innovation and (frequently) the import of capital goods.**

It should not be forgotten, however, that whether the staple activity is a trade or an industry, capitalism makes the struggle of the direct producers with capital unequal. Canadian capital has not been able to formulate a full-fledged industrial strategy (see below); not surprisingly, neither Canadian farmers nor Canadian workers, separately or together, have been able to assume that task in its stead.[11] The project becomes truly daunting when allowance is made for the divisiveness of the intense regionalism characteristic of the Canadian economy; that regionalism seems to inhere in the strung-out, bi-national Canadian economy, but it is further exacerbated by the uneven development associated with specialization in staples. The result has been, typically, to divide people, or popular forces, more than capital.

The distinction between staples trades and industries can be pushed one step further by examining the consequences for social or class formation of the particular mode of production associated with each staple. Like Innis, one would keep one's eye on the staple and its mode of production and the pervasive consequences; like Marx, one would systematically explore the relationships between the mode of production and class structure.[12] The American development economist Albert Hirschman calls this approach micro-Marxism.[13]

In the process one could, following Hirschman, judge the staples in terms of whether their impact for growth and development have been good or bad. Of course, what happens depends in some part on the environment, physical and political, within which the staple has its impact; fish created both the "aggressive commercialism" (Innis) of New England and the staple trap in which contemporary Newfoundland is mired now that the fish have disappeared (but from which it may be rescued by new staples; see below). As Ommer reminds us in her superb study of the historic Jersey-Gaspé cod fishery, the staple that leaves the colony underdeveloped can create development in the metropole; indeed, as in her case study, the two go together.[14] Still, some staples do seem mostly good from the perspective of the margin (such as wheat and the family farm and the egalitarian society and progressive politics that flows therefrom),[15] while others seem mostly bad (as with oil, which produces instant, unearned wealth and giant companies and right-wing politics and pollution).[16]

But assessment of goodness or badness also very much depends on where one is situated within the social formation. Consider the fate of aboriginal peoples. From this perspective it is arguable that only the fur trade has a claim to have treated them tolerably well; all subsequent staples, from wheat to hydro, have taken their home lands and rendered them dysfunctional. Some staples, like hydro megaprojects, may simply be genocidal and intolerable, but others might well be beneficial to aboriginal peoples if they occur within the context of a land-claims settlement that granted genuine self-governance and created a different institutional framework; the Berger Inquiry in the 1970s can be seen as exploring the possibility that even a giant gas pipeline might be acceptable to the Dene of the Mackenzie Valley under those circumstances.[17]

Consider also the consequences for women of the effects of different staples. In traditional historical writings, including that of the old political economy, women hardly existed, yet we know that aboriginal women played a key role in the fur trade and that the "family" of the "family farm," which grew the crops for consumption at home and abroad, self-evidently included women and their unpaid labour. As

well, the single-industry resource communities that dot the Canadian hinterland (the pulp towns, the mining towns) provide limited opportunities for women to work at well-paying jobs.[18]

DEPENDENT INDUSTRIALIZATION

How does a staples economy come to be characterized by dependent industrialization? Begin with a general argument about early industrialization that has been made with respect to Britain and to continental Europe.[19] There are two paths to industrialization: one that emerges out of artisanal beginnings in the hands of new capitalists, and one based on the extension of pre-existing merchant capital into the new industrial sphere. The first is the strong path, which leads to a mature industrial structure; the second is a weak one, where industrial capital never comes fully to dominate financial capital.

Can this line of reasoning be applied to Canada? There are two problems in doing so. First, Canada's economy was dominated in its pre-industrial phase not simply by commerce and finance but specifically by trade in the staples. Second, Canada industrialized later, after capitalism had transformed itself from a competitive mode to a monopoly mode as a result of the rise of the large corporation, including its multinational variant.

Canada ends up on the weak path. Merchant-cum-financial capital remains dominant and tolerates, indeed invites in, foreign industrial capital to produce a weak path of dependent industrialization. Canadian financial capital may even be antagonistic towards indigenous industrial capital. ***But the critical point is the rise next door of the American industrial corporation; it is born multinational and, as the agent for foreign monopoly capital, creates barriers to entry for smaller, indigenous industrial firms.***[20] **Previously the technique of the more advanced United States had moved to Canada (or British North America) via the migration of individual American businessmen, who then become permanent residents, even founders of great Canadian families such as the Masseys; now it came in institutional corporate form. The result was to stifle indigenous Canadian development which, emulating the United States, had been proceeding, with a lag, along the strong path. Canada was shunned onto the weak path. The villain of the piece becomes American industrial capital, though Canadian capital can be seen as an accomplice.**

The path of dependent industrialization was, for reasons we have seen, one of import substitution, of producing for the protected domestic market rather than taking on world markets in manufactures. While we may see that as second best, we risk missing the point that Canadian capital pioneered the import substitution industrialization model -- it is in fact known elsewhere, particularly in Latin America, as the "Canadian model" -- and that Canada has done remarkably well out of it in conjunction with the large domestic market associated with a succession of staple exports.[21]

The result is not an alliance within Canada between indigenous financial and industrial capital (creating, in Marxist terminology, finance capital) with industrial capitalists as the dominant, or hegemonic, fraction within the capitalist class. Rather, there is an alliance between Canadian financial capital and American industrial capital. Because of the size and power of the United States, the resulting alliance is (in Clement's felicitous phraseology) an "unequal alliance," with Canadian capital a junior partner. Within Canada, the hegemonic fraction remains financial capital.

This is almost, but not quite, the full story. Because Canada is a staple economy, we should distinguish within industrial capital between staple industries, or primary manufacturing, and secondary manufacturing proper. The former can be, and in fact are, more powerful than the latter. The hegemonic fraction is made up of financial capital and of staple capital, foreign and domestic,

which is in alliance with American industrial capital. This "staples fraction," in fact, is disproportionately represented with the Business Council on National Issues (the highly influential organization that consists of the chief executive officers of the 150 largest private-sector corporations) and the structures of the state. **As a consequence, the secondary manufacturing interest is weak in Canada, and it is difficult to develop an industrial strategy. Though Canada is industrialized, industry is in important respects immature and the country remains a staples economy -- a pattern that has been called "advanced resource capitalism."**[22]

Canadian capital has accepted a division of labour both sectorally and geographically. Historically, it has been able to dominate in commerce and finance, including infrastructure and real estate, but not in industry proper. In the staple sector the story is mixed, with the majority of resource industries under foreign control well into the postwar period. In those sectors where capital is able to dominate at home, it will have a base to try to become "world class" and operate abroad. This phenomenon exists in Canada, but the division of labour that constrains Canadian capital is its tendency to see only the American market, not the whole world as its oyster.

There is clearly a close, symbiotic relationship between the nature of the domestic business and the extent of foreign ownership of the economy; the weaker the former, the stronger the latter, and vice versa. (Canadian policy has been to let the foreigner in to undertake the tasks that Canadian business cannot do; Japan's policy has been not to let the foreigner in until Japanese business has demonstrated that it can compete.) And just as other class forces could not "get their act together" concerning the tariff, neither were they sufficiently strong and united to force Canadian capital to perform better than it did; in explaining the origins and persistence of foreign ownership in Canada, Gordon Laxer indicts the whole Canadian class structure![23]

Foreign ownership became an important political issue in Canada in the 1960s -- under the leadership of the Liberal economic nationalist Walter Gordon -- and the debates about it were central to the emergence of the new political economy.[24] Yet the ink had hardly dried on this literature when there was a considerable decrease after 1970 in foreign (mostly American) ownership and control of the Canadian economy relative to Canadian ownership and control. This outcome raises the possibility that the Canadian capitalist class is now -- and perhaps long has been -- more impressive than some of us have thought.[25]

Canadian ownership within the resource sector has increased (relatively) as domestic capital has been attracted by the large rents that can be appropriated. This development shows some maturing of Canadian capital, but towards becoming more efficient as *rentier* capital *("having a fixed income from land & bonds" -- Websters),* **rather than as industrial capital.** Perhaps, as well, Canadian capital became more confident in its dealings with American, as the latter struggled to maintain its international hegemony vis-a-vis Japanese and European capital. While increasing Canadian control in the past quarter-century has mostly been relative to American, it has made Canada a base for continental rather than for global capital. And while dependence via foreign ownership decreased, dependence via trade increased, with the latter definitely rising under free trade and the former no longer falling (see below). **In short, Canada did not transcend its staple-biased, semi-industrial status, nor its pervasive Americanization (and all that follows therefrom) in matters economic, political, social, cultural and military.**

Research on Canadian class structure in a comparative context bears out these propositions. Canada's industrial and occupational composition -- with fewer workers in manufacturing and a larger resource proletariat than the average industrialized country -- bears the imprint of truncated development. But Canada has also incorporated distinctively American practices for the organization of capitalist production, deploying a disproportionate amount of labour power in control and surveillance of other workers, particularly in sectors traditionally dominated by American capital.[26]

An unexpected vindication of the political economy view of foreign ownership in particular and the Canadian economy in general is to be found in the so-called *Porter Report,* named after Professor Michael Porter of the Harvard Business School and co-funded by the Business Council on National Issues and the Mulroney government. **The Canadian economy, we are told, has an abnormal bias to the export of unprocessed resources, a high and increasing reliance on the US market, a high level of foreign ownership, and a tendency among subsidiaries of foreign firms not to be efficient exporters. *The report recommends policy directed towards transforming subsidiaries into more autonomous and efficient "home bases"*[27] *- but the exact opposite may be happening under free trade (see below)*** *(Chapter 7).*

BOOMS AND CRISES

An important problem facing social scientists and historians, and hence political economists, is the choice of the proper spatial and temporal units for study. On the spatial dimension, our (materialist) argument relies on the reach of the commodity and the corporation; the Canadian experience is therefore comprehensible only within a centre-margin, or imperial frame of reference.[28] With respect to the temporal dimension, social scientists tend to be almost obsessively present-minded and uninterested in history, while historians tend to reify politics, even politicians, or rely on arbitrary periods, such as centuries. Political economists need to take both economics and history seriously and define politics broadly.

There is merit in relying on long waves as the temporal unit for study.[29] Just as a fundamental characteristic of capitalism is that it has developed unevenly over space (centres and margins), another is that it has unfolded unevenly over time (booms and crises). As well as having shorter recessions and recoveries, the post-1945 experience has lent new credibility to the view that longer cycles, or long waves, of boom and crisis, also seem to inhere in the evolution of industrial capitalism. In so far as each phase seems to encapsulate a broad range of economic, political, and social phenomena that encompasses both institutions and technology, and to be common to linked economies, it is highly useful as a discrete entity for the study of political economy.[30]

Take the most recent long wave (which may or may not be over as I write or as you read this). The global boom of the late 1940s, 1950s and 1960s has been called the Golden Years (Hobsbawm) and hailed as the greatest period of economic growth and prosperity in the history of capitalism. **The boom was very strong in Canada, being comparable to the great wheat boom that lasted from the mid-1890s to the First World War. It was based on large-scale exports of resources to the United States, with inflows of American capital providing funds to expand staple sectors -- including such new staples as oil and gas, iron ore, uranium and potash -- and with markets secured by foreign ownership ties; its essence was neatly captured in the title of a book of that time, Hugh Aitken's** *American Capital and Canadian Resources.*[31] **Cheap energy, notably oil, fueled the global boom; Canada, as a major consumer and exporter of energy, stood to gain, whatever the price. Demographically, the "baby boom" and waves of immigration fed consumption and investment.**

Both the staples bias of the economy and the pattern of dependent industrialization persisted, though altering in ways beneficial to Canadian economic growth at that time. With the decline of the British Empire, Canada moved wholly into the American empire at a time when the United States was the undisputed hegemonic power of the capitalist world. **The close American embrace created clear benefits for Canada, while entrenching its staple status. It also caused some problems, notably in the military and automotive sectors, where imports systematically outran exports. US policy towards Canada, however, was largely benign; special-status arrangements such as the Defense Production Sharing**

Agreement (DPSA) of 1958 and the Auto Pact (1965) locked Canada into a pattern of dependent industrialization that was nevertheless significantly beneficial to Canada. The DPSA allowed Canada to cash in on the Pentagon spending, magnified by the Vietnam War, that played a key role in the American boom, while the Auto Pact permitted auto factories in Canada to achieve the economies of scale of the so-called Fordist production model of the postwar world.

Demand-led Keynesianism came to Canada but, notwithstanding its apparent potential to produce greater emphasis on the domestic market as the prime source of growth, did little to alter the staples bias of Canadian economic policy. But in Canada, as elsewhere, it did legitimize a much expanded welfare state (to provide a safety net and to maintain demand and hence employment) and underlay a new accord between capital and labour, in which workers were allowed increased rights to unionize and to share in productivity gains in return for abandoning any radical demands for widespread nationalization or workers' control.

Sometime around 1970 this greatest of booms petered out. Demand for Canadian staples slowed, and the birth rate fell, lessening the demographic push on demand. **The United States lost the war in Vietnam and in 1971 had to devalue the dollar; it was no longer the hegemonic power in had been, having to give ground to Germany and Japan industrially and to the Organization of Petroleum Exporting Countries (OPEC) on the setting of the price of oil.** ***The United States could no longer afford to be so benign, even to Canada; in the face of its troubles, Washington, as part of its broader policy of detente, first gave Canada more room to manoeuvre in the 1970s -- leading to the modest economic nationalism of the Trudeau era -- and then, with Reagan and the new Cold War, forced Canada to abandon such policies in the 1980s.***[32] **With the election of the Mulroney government in the mid-1980s, Canada was ready to "buy into" the US neo-conservative agenda of free trade and no economic nationalism**.

The pressure from workers to increase both their wages and the social wage (the benefits of the welfare state) while companies tried to maintain their profit rates and the well-to-do their privileged position led to inflation that persisted even in recessionary times; the resulting "stagflation" broke the Keynesian compromise. The leap in globalization that resulted from the long boom increased the mobility of capital -- both lessening the ability of any nation state to tax it and pushing up interest rates in order to prevent its flight. But labour remained mostly immobile and the state retained its ability to tax it. At the same time, workers in high-wage countries such as Canada were increasingly subjected to low-wage competition from abroad.

The good times for the many were over. Recessions became deeper and longer. Unemployment became persistent, and inflation was kept under control by the threat, and reality, of its increase. First, the private sector "downsized" -- a process greatly facilitated by the burgeoning electronic technology; in the new post-Fordist world of flexible specialization, economies of scale were replaced by economies of scope, pyramidal structures tended to erode, and there was devastation in labour markets. **Second, in the face of accumulating deficits and debt consequent on the poor performance of the private sector, the public sector shrank and began to dismantle the welfare state. From the 1980s into the 1990s, a new, right-wing consensus emerged, insisting that if the "fundamentals" were put right (in all senses of that term), the economy could again prosper.**[33]

Less writing has been done of prior long waves in Canada, but enough is known to suggest their existence and the value of further study of them. Three prior long waves have been detected since Britain's Industrial Revolution: good years from the 1780s to circa 1815 and bad ones to circa 1850; a good phase from circa 1850 to the early 1870s and a bad one thereafter to the mid-1890s; and good years from the mid-1890s to the First World War and bad ones until the Second World War. For Canada, the second and third waves seem to have applied. The boom of the 1850s, associated with exports of lumber and wheat and the

building of railways, marked the beginning of real industrialization in British North America, while the Canadian economy slowed perceptibly in the 1870s and 1880s and unto the 1890s, awaiting settlement of the west and the surge of prairie wheat exports. With the turn of the century came the wheat boom and the Klondike Gold rush, floods of capital and people and railways galore, and a major surge in industrialization. The interwar years were troubled times, from the uncertainties of the 1920s to the Depression of the 1930s, as Canada made the difficult adjustment from the "old industrialism" of coal and iron, wheat and railways, to the "new industrialism" of oil and autos, hydro, newsprint and minerals.[34] And then the last long wave -- and the question: is it over?

THE SITUATION TODAY

By the early 1980s, the Canadian economy seemed to have reached an impasse. Its staple bias and dependent, often inefficient industrial structure were impossible to ignore. Keynesian policy was passé. The Trudeau government toyed with post-Keynesian policies, not only of wage and price controls, but also of an activist energy policy and industrial strategy. **Free market, neo-conservative policies had triumphed in Britain under Margaret Thatcher and in the United States under Ronald Reagan. With the election of the first Mulroney government in 1984 they came to Canada.**

The core of right-wing policies in Canada was free trade, first the Canada-United States Free Trade Agreement of 1989 and then the North American Free Trade Agreement of 1993. Sold as an industrial strategy that would make Canadian manufacturing efficient, it may well be entrenching the staple status of the Canadian economy. The removal of barriers to trade permits each country to pursue more fully its comparative advantage. For Canada, already strong sectors (such as staples) grow further, while weak sectors (such as secondary manufacturing) shrink. Certainly the latter has happened, though a good part of that has to be attributed to the serious recession of the early 1990s and a misguided monetary policy that led to an overvalued Canadian dollar. Significantly, bilateral trade disputes between the United States and Canada, which were supposed to go away, have not. American interests still try to block rising resource imports from Canada. Predictably, the volume of two-way trade has taken a quantum leap upwards.

Cross-border investment flows have likewise increased; the two-decade decline in the level of foreign (American) ownership of the Canadian economy seems to have ended. American-based multinationals have tended to meld their previously separate Canadian production operations into a US-based North American division; head offices of subsidiaries have been shut down in Canada, and jobs lost. Overall, the Canadian economy has been further and decisively integrated into the American economy; the result has been an increased economic dependence of Canada on the United States that may result in greater political and cultural dependence.

In the face of its declining hegemony globally, the United States has moved to increase its hegemony continentally and now hemispherically; Canada is almost certainly more tightly tied than before. At the same time, greater continental economic integration has increased strains on the Canadian federation by increasing the potential for separate regions to "go it alone"; free trade has arguably advanced the case of Quebec separatism.

If staples remain critical for Canada's fate, we need to know the prospects for staples. Resource "megaprojects" -- significantly, the word is a Canadianism -- seem to be facing increasing objection from environmentalists and aboriginal peoples; James Bay n is a case in point. There has also been some concern that the best Canadian resources have been found and the Third World is the new frontier,[35] but recent years have seen discoveries of vast amounts of nickel-cobalt-copper in Labrador, of diamonds in the North West Territories, and of Hibernia-like oilfields off the west coast of Newfoundland.

The era of the Keynesian consensus -- of the Keynesian welfare state (KWS for short; actually, the "w" does double duty, standing also for warfare) -- is dead. What is taking its place? It is apparently being replaced, according to British writer Bob Jessop, by the Schumpeterian workfare state (SWS).[36] For Schumpeter, entrepreneurship and innovation were central to economic growth. They were the creative side of "creative destruction" that inhered in the process of capitalist development; "competitiveness," the buzz-word of our times, conjures up both the good (the drive for efficiency) and the bad ("downsizing" and low-wage competition). **Keynesianism legitimized larger, positive government; Schumpeterianism delegitimized government. Keynesianism was consistent with assistance for the unemployed and the poor; Schumpeterianism wants to replace "welfare" with "workfare."**

If that is indeed what is happening, the emerging arrangement is hardly a thing of beauty.[37] But that is not the crux of the matter. Rather: will it work? **Is the world economy stable in the absence of a hegemon?** Is the story of the mid-1990s the collapse of the Mexican peso, or the fact that the collapse was contained? Has the inflation that destroyed the KWS finally been brought under control?[38] If that has been done by permanently driving up unemployment, then how does the SWS deal with that? **If income distribution becomes more unequal, will there be enough purchasing power to buy the cornucopia of goods? Will the SWS deliver enough of the goods to enough of the people to be viable long enough to constitute another long boom?** (A question for the student reader: are your job prospects becoming more or less miserable?) Beyond all this, is it possible that the computer is an innovation on par with the printing press, with effects that will hardly be sorted out quickly? Is it also possible that the environmental consequences of past industrial growth have already begun to place limits on further economic growth?

As for Canada, the historian Donald Creighton wrote a long time ago of "the embarrassments peculiar to a staples-producing economy." The moral of this paper is that we have hardly seen the last of those. Still, we must not overstate our problems; as too many people in this world know, there are fates much worse than embarrassment.

NOTES

1 For a collection of Innis's writings, see Daniel Drache, ed., *Staples, Markets and Cultural Change: Selected Essays of Harold Innis* (Montreal: McGill-Queen's University Press, 1995). For Mackintosh, see in particular his "Economic Factors in Canadian History," *Canadian Historical Review* 4 (1923): 12-25, reprinted in M.H. Watkins and H.M. Grant, eds., *Canadian Economic History: Classic and Contemporary Approaches* (Ottawa: Carleton University Press, 1993); and *The Economic Background to Dominion-Provincial Relations,* Appendix III of the Royal Commission on Dominion-Provincial Relations, 1939; reprinted with an introduction byJ.H. Dales, Toronto: McClelland and Stewart, 1964). For a bibliography on the new political economy, see Clement, ed., *Understanding Canada.*

2 The great Marxist historian Eric Hobsbawm has organized his brilliant new book on the twentieth century, *Age of Extremes: The Short Twentieth Century, 1914-1991* (London: Michael Joseph, 1994), around these waves. He writes: " [A] succession of 'long waves' of about half a century in length has formed the basic rhythm of the economic history of capitalism since the late eighteenth century" (268).

3 *Economic Background.*

4 See especially the voluminous writings of Daniel Drache on Innis, notably "Harold Innis and Canadian Capitalist Development," *Canadian Journal of Political and Social Theory* 6 (1982): 35-60 and, most recently, his "Introduction" to Drache, ed., *Staples.* See also Irene M. Spry, "Overhead Costs, Rigidities of Productive Capacity and the Price System," in William H. Melody, Liora Salter and Paul Heyer, eds., *Culture, Communication and Dependency: The Tradition ofH.A. Innis* (Norwood, NJ: Ablex [Publishing], 1981), 155-66.

5 See R. Cole Harris, "Preface," in R. Cole Harris, ed., *Historical Atlas of Canada, Vol. I: From the Beginning to 1800* (Toronto: University of Toronto Press, 1987).

6 This point has largely escaped Canada's historians who write as if Canada were a self-contained entity; perhaps the major moral of the staples approach -- where Canada is necessarily a margin of an imperial

centre -- is that Canadian history cannot be usefully written that way.

7 C.V. Schedvin, "Staples and Regions of Pax Britannica," *Economic History Review 43* (1990): 533-59.

8 Michael Howlett and M. Ramesh, *The Political Economy of Canada: An Introduction* (Toronto: McClelland and Stewart, 1992).

9 For an attempt to reduce Canadian political economy to Marx alone, see David McNally, "Staple Theory as Commodity Fetishism: Marx, Innis and Canadian Political Economy," *Studies in Political Economy* 6 (1981): 35-64, and "Technological Determinism and Canadian Political Economy: Further Contributions to a Debate," *Studies in Political Economy* 20 (1986): 161-70. The two articles fail to generate a single fresh insight about Canadian political economy. For a reply to McNally's first article, see Ian Parker, "Commodity Fetishism and 'Vulgar Marxism': On 'Rethinking Canadian Political Economy,"' *Studies in Political Economy* 10 (1983): 143-72.

10 This distinction is to be found in Innis; for its fuller articulation, see Paul Phillips, "Staples, Surplus and Exchange: The Commercial Industrial Question in the National Policy Period," in Duncan Cameron, ed., *Explorations in Canadian Economic History: Essays in Honour of Irene M. Spry* (Ottawa: University of Ottawa Press, 1985), 27-43.

11 For an analysis of such problems associated with the tariff in the earlier period, see Paul Craven and Tom Traves, "The Class Politics of the National Policy, 1872-1933, *"Journal of Canadian Studies* (Autumn 1979) 14-38. In general, see Gordon Laxer, *Open for Business: The Roots of Foreign Ownership in Canada* (Toronto: Oxford University Press, 1989).

12 This is precisely what Wallace Clement has done in his studies in nickel mining and the fisheries. See his *Hardrock Mining: Industrial Relations and Technological Change at lnco* (Toronto: McClelland and Stewart, 1981) and *The Struggle to Organize: Resistance to Canada's Fishery* (Toronto: McClelland and Stewart, 1986).

13 Albert Hirschman, "A Generalized Linkage Approach to Development with Special Reference to Staple," *Economic Development and Culture Change* 25 (1977): 67-98

14 Rosemary E. Ommer, *From Outpost to Outport: A Structural Analysis of the Jer-sey-Gaspe Cod Fishery, 1767-1886* (Montreal: McGill-Queen's University Press, 1991). Ommer contrasts the "success" of Iceland around fish with the relative "failure" of Newfoundland in "What's Wrong with Canadian Fish," *Journal of Canadian Studies* 20(3) (Fall 1985): 122-42.

15 See Mel Watkins, "Wheat as Staple," *Business History Review* 67 (1993): 280-87.

16 As I write in the Summer of 1995, there are stories in the press about how, with oil prices falling, the "oil-rich superpower" of Nigeria, "riddled with corruption," is "a nation committing suicide."

17 See in particular James B. Waldram, *As Long as the Rivers Run: Hydroelectric Development and Native Communities in Western Canada* (Winnipeg: University of Manitoba Press, 1988); Mel Watkins, "Dene Nation: From Underdevelopment to Development," in this volume; and T.R. Berger, *Northern Frontier, Northern Homeland: The Report of the Mackenzie Valley Pipeline Inquiry* (Ottawa, 1977; rev. ed. Toronto: Lorimer, 1988).

18 See Bonnie Fox, "Women's Role in Development," in Gordon Laxer, ed., *Perspectives on Canadian Economic Development* (Toronto: Oxford University Press, 1991), 333-52; Sylvia Van Kirk, *"Many Tender Ties": Women in Fur Trade Society, 16JO-18JO* (Winnipeg: Watson and Dwyer, 1980); and Meg Luxton, *More Than a Labour of Love: Three Generations of Women's Work in the Home* (Toronto: Women's Press, 1980).

19. Notably by the Marxist historian Maurice Dobb in *Studies in the Development of Capitalism,* rev. ed. (New York: International Publishers, 1964).

20. There are two writers on this matter, R.T Naylor and Wallace Clement. While there are differences between them, together they are responsible for the Naylor-Clement thesis, which is the idea that launched the new Canadian political economy. Their work is discussed in Mel Watkins, "The Staple Thesis Revisited," in this volume.

21 Glen Williams, *Not for Export: Toward a Political Economy of Canada's Arrested Industrialization.* 3rd ed. (Toronto: McClelland and Stewart, 1994).

22 The term is Drache's; see his "Stapleization: A Theory of Canadian Capitalist Development," in Craig Heron, ed., *Imperialism, Nationalism and Canada* (Toronto: NewHogtown Press, 1977), 15-33.

23 Laxer, *Open for Business.*

24 See Canada, Privy Council Office, *Foreign Ownership and the Structure of Canadian Industry* (the Watkins Report), (Ottawa, 1968) prepared under the tutelage of Walter Gordon; and Kari Levitt, *Silent Surrender: The Multinational Corporation in Canada* (Toronto: Macmillan, 1970).

25 See Jorge Niosi, "The Canadian Bourgeoisie: Towards a Synthetical Approach," *Canadian Journal of Political and Social Theory* 7(3) (Fall 1983): 128-49.

26 This paragraph is a precis, mostly in the authors' words, of Don Black and John Myles, "Dependent Industrialization and the Canadian Class Structure: A Comparative Analysis of Canada, the United States and Sweden," *Canadian Review of Sociology and Anthropology* 23 (1986): 157-81; see also Wallace Clement and John Myles, *Relations of Ruling: Class and Gender in Postindustrial Societies* (Montreal: McGill-Queen's University Press, 1994), especially chap. 4.

27 Michael E. Porter and the Monitor Company, *Canada at the Crossroads: The Reality of a New Competitive Environment* (Ottawa, 1991).

28 The subtitle for Innis's *The Cod Fisheries* is *The History of an International Economy* (1954; rev. ed. Toronto: University of Toronto Press, 1978).

29 See David M. Gordon, Richard Edwards and Michael Reich, *Segmented Work, Divided Workers: The Historical Transformation of Labor in the United States* (Cambridge, England: Cambridge University Press, 1982).

30 This is what F.W. Burton had in mind when he wrote in 1934: "In Canada ... we must think [of] business fluctuations not simply as 'credit cycles,' that is, as rhythmic and purely monetary phenomena, but also as chapters in our national economic development" ("The Business Cycle and the Problem of Economic Development," in H.A. Innis and A.F.W. Plumptre, eds., *The Canadian Economy and Its Problems* (Toronto: University of Toronto Press, 1934), 143-58.

31 See also Melissa Clark-Jones, *A Staple State: Canadian Industrial Resources in Cold War* (Toronto: University of Toronto Press, 1987).

32 Stephen Clarkson, *Canada and the Reagan Challenge: Crisis in the Canadian-American Relationship* (Toronto: Lorimer, 1982; rev. ed., 1985).

33. There is a large literature on the postwar long wave. See in particular David Wolfe, "The rise and Demise of the Keynesian Era in Canada: Economic Policy, 1930-1982," in M.S. Cross and G.S. Kealey, eds., *Modern Canada, 1930-1980S* (Toronto: McClelland and Stewart, 1984), 46-80, and "The Crisis in Advanced Capitalism: An Introduction," *Studies in Political Economy* 11 (1983): 7-26; Robert M. Campbell, *Grand Illusions: The Politics of the Keynesian Experience in Canada, 1945-19*75 (Peterborough, Ont: Broadview Press, 1987); Frank Strain and Hugh Grant, "The Social Structure of Accumulation in Canada, 1945-1988, *"Journal of Canadian Studies* (Winter 1991-92), 75-93; Jane Jensen, "'Different 'but not Exceptional': Canada's Permeable Fordism," *Canadian Review of Sociology and Anthropology* (1989) 69-94; Daniel Drache and Harry Glasbeek, *The Changing Workplace: Reshaping Canada's Industrial Relations System* (Toronto: Lorimer, 1992), especially chap. 2; and Stephen McBride, *Not Working: State, Unemployment and Neo-Conservativism in Canada* (Toronto: University of Toronto Press, 1992).

34. The terms are Innis's. For the post-Confederation period to the 1930s, see Mackintosh *Economic Background* and "Economic Factors;" for the longer period, see Maurice Lamontagne, *Business Cycles in Canada: The Postwar Experience and Policy Directions* (Toronto: Lorimer, 1984), particularly chap. 4. Burton ("Business Cycles," 153) writes: "The expansion of staple production and of transportation facilities has been rapid in good times; with a reversal of conditions, the distress of the staples industries has been severe."

35. See Paul Phillips, "New Staples and Megaprojects: Reaching the Limits to Sustainable Development," in Daniel Drache and Marc Gertler, eds., *The New Era of Global Competition: State Power and Market Power* (Montreal: McGill-Queen's University Press, 1991), 229-46.

36. Bob Jessop, "Towards a Schumpeterian Workfare State? Preliminary Remarks on a Post-Fordist Political Economy," *Studies in Political Economy* 4° (1993): 7-39

37. In August 1995 the United Nations rated Canada the world's number 1 country -- at a time when the unemployment rate hovered around 10 per cent and one of five Canadian children lived in poverty.

38. Inflation, and the "necessity" of fighting it, undermined the Keynesian attempt to "pump-prime" the French economy in the early 1980s and helped in the 1990s to push Sweden--with its highly developed KWS--into abandoning a central commitment to full employment; see Andrew Glyn, "Social Democracy and Full Employment," *New Left Review 211* (1995): 33-55-

Staples and Beyond

Selected Writings of Mel Watkins

Edited by Hugh Grant and David Wolfe

CHAPTER 6

A New National Policy (1968)

Reprinted, with minor revision, from "A New National Policy" in Trevor Lloyd and Jack McLeod (ed.), Agenda 1970: Proposals for a Creative Politic*s (Toronto: University of Toronto Press, 1968).*

(All emphasis by the Web Ed.)

[“] The old National Policy served Canada in its day, as an instrument of nation-building and a means of facilitating economic growth. The challenges have changed and a new National Policy is required. The nation has been built, but its sovereignty must be protected and its independence maintained. A diversified economy has been created, but its efficiency must be improved and its capacity for autonomous growth increased.[“] *(The Watkins Report)*[1]

National Policy could mean simply the policy of a national government. But in Canada, National Policy means the Canadian system of protective tariffs as enunciated by Sir John A. Macdonald in 1878. Both historians and economic historians have, over time, tended to broaden the term to encompass the set of policies pursued by the Canadian government in the late nineteenth and early twentieth centuries in the interests of promoting economic development -- tariffs, railway subsidies and all-Canadian transcontinentals, cheap land, and an open door to immigrants.[2] But few would deny that the tariff was central to the strategy of promoting Canadian industrialization; certainly it has been the prime issue in the debate over economic nationalism, or economic independence, that reached an early peak in the campaign of 1878 and has gone on ever since.

Among academics, a serious difference of opinion persists to the present day about the efficacy of the National Policy. Historians seem to be virtually unanimous in their view that the tariff was an invaluable instrument of nation-building and that economic nationalism was necessary to political independence and the creation of a national economy. Economists, on the other hand, have tended to imply at least that the National Policy, by lowering the standard of living, weakened the material base on which political independence must stand and on which continuing economic growth must be based.[3] Economic historians, including this writer, have not been fully identified with either camp. Their most articulate spokesman on the tariff has vehemently attacked it for its evil effects on the quality of Canadian life while nevertheless providing a rationale for it by arguing that if fulfilled its mercantilist (but misguided) goal of creating a larger population and aggregate income in Canada.[4] (John Dales)

There would be general agreement, however, that the National Policy, in terms of its relevance, is now a thing of the past. While there is still immigration to Canada, the great population-absorbing frontiers are closed. The railway is now the old technology and its potential for nation-building exhausted -- though it may have untapped potential for urban and inter-urban passenger transport. The protective tariff clearly lingers on and is far from irrelevant to the contemporary economy and polity. Nevertheless, it is a remnant from the past in the important sense that the Canadian government has been consistently committed to multilateral tariff reduction since the Second World War as part of a broader commitment to multilateralism. Differences of opinion among Canadians seem largely to be with respect to the rate at which the tariff should be abolished, and the manner -- unilaterally, bilaterally, multilaterally, or selectively by sector. The vanguard of the abolitionists has been the economists, while Ottawa has preferred to let other countries set the pace toward multilateral free trade and has been intrigued by selective arrangements, such as that with the automobile industry.

There are, then, no longer any hot advocates of tariff protection. In so far as tariffs are its content, economic nationalism is hardly a viable creed. But history does not stand still and so it is that the central issue of economic independence today, pro and con, is foreign ownership.

Now foreign direct investment -- foreign investment that carries with it ownership and control -- is not a new phenomenon in Canada. Indeed, its roots were firmly planted in the period of the old National Policy. The Canadian tariff segregated the Canadian market and induced industrialization behind its wall to serve that market. Foreign firms, previously exporting to Canada, now found it necessary to shift production to Canada. Specifically, Macdonald's protective tariff induced a spurt in branch plants, particularly American-controlled subsidiaries, in Canada. The call implicit in the tariff to bring forth entrepreneurship to meet new opportunities in the Canadian market fell frequently on foreign ears. In sum, the tariff created Canadian industry, but not necessarily Canadian entrepreneurship, and hence not necessarily industry under Canadian ownership and control.

The full implications of this point have largely escaped attention by Canadian academics. Historians, including economic historians, have not addressed themselves in a serious way to the question of why the tariff created Canadian industries but not Canadian firms. Some credit for the existence of these industries must clearly be given to the expansive drive of American corporations; as they spread nationally in the late nineteenth century, some spill-over across the northern border was presumably inevitable. But to some extent those corporations flowed into a vacuum resulting from an entrepreneurial failure in Canada, a deficiency existing in spite of the St. Lawrence merchants who had emerged around the fur trade and who have been so much praised by Canadian historians.[5] Economists, in Canada and elsewhere, have judged the tariff in terms of its effects on economic efficiency and have had little of a convincing nature to say about its effects on economic growth. In particular, there has been a curious reluctance to recognize that national economic development — within the capitalist framework -- requires domestic entrepreneurs, or a native bourgeoisie, to lead the process of growth.[6] While economic historians have generally been somewhat more

realistic, Canadian economic historians have learned so much by focusing on the commodity -- the so-called staple approach associated in particular with the writings of Harold Innis -- that other approaches, particularly the entrepreneurial, have never been pushed far enough to be credible alternatives.[8]

It is true that one of the most honoured themes of Canadian historiography, including economic history, has been that the state has played an important role in promoting and shaping Canadian economic development, that, as it were, the national government has played the leading role.[9] In this historical scenario, the deficiencies of private entrepreneurship have been compensated for by public entrepreneurship. But the point has clearly been exaggerated, as the extent of the actual reliance on foreign entrepreneurship attests. It would be more accurate to argue that a national government allied with the private elite was committed to use the state to create economic development, but not at the risk of weakening elite control; high tariffs and lavish railway subsidies expressed the limits of political action, while, significantly, education, particularly business schools, and freer banking -- which might have facilitated the rise of new domestic entrepreneurs -- were neglected. It can be argued that the Canadian government, rather than being praised for what it has done, should be chastised for what it has failed to do. **More public entrepreneurship, in its own right and to stimulate private entrepreneurship, was needed to fill the vacuum which was created by the deficiencies of private entrepreneurship and which was filled by foreign, particularly American, entrepreneurship.[10]**

The economist's critique of the tariff, and the old National Policy, needs to be re-examined in these terms. The problem with the tariff was not that it was too much, but rather that it was too little. Instead of creating a Canadian bourgeoisie capable of leading Canadian growth it tended to create only an emasculated bourgeoisie satisfied to manage a branch-plant economy.[11] The tariff, as it were, created "infant industries," but not "infant firms."[12] And foreign firms, once attracted in by the tariff, had a vested interest in its perpetuation, while their very presence inhibited the emergence of Canadian firms.

To the extent that one is willing to accept the view presented here -- that a successful national policy, including tariff policy, should have created Canadian entrepreneurship capable of dominating the Canadian economy -- then the prime task of the old National Policy is yet to be completed. The burden of this paper is that this should be seen as the central task of a new National Policy, and that other aspects of policy, including tariff policy, should be framed in this light.

THE COSTS OF AN EMASCULATED BOURGEOISIE

Let us now put foreign ownership at the centre of the stage. We must begin by recognizing that foreign ownership of Canadian economic activity is not simply a phenomenon induced by the Canadian tariff. This is true in two important senses. On the one hand, there is the straightforward fact of foreign ownership of much of Canada's resource industries.[13] These industries, being export-

oriented, do not owe their existence or their ownership to the Canadian tariff. Rather, they exist because of Canadian endowments and foreign demand, and tend to fall under foreign control as a means to ensure access to the foreign market, that is, the owner of the firm is typically the buyer of its output.

The consequences of this, in terms of the thesis being argued, are very significant. Resource industries are, after all, the source of the staple exports which remain, down to the present day, the leading sectors and pace-setters in Canadian economic growth.[14] Such is the role of foreign trade, particularly in the early stages of economic growth, in virtually all countries, that it can be argued that to permit widespread foreign ownership of export industries is seriously to inhibit the creation of a domestic entrepreneurial class and thereby to reduce significantly the possibility of autonomous national development.[15] Admittedly, the case for domestic ownership of export industries is one of degree, for there is no gainsaying that foreign ownership facilitates access to foreign markets, though at the loss of marketing flexibility in the long run. But at least in some cases, domestic ownership is likely to prove feasible -- provided the attempt is made -- and the major benefit, usually neglected by economists, of facilitating domestic entrepreneurship would thereby be reaped. The present high level of foreign ownership of Canadian resources strongly suggests that Canadian policy, both at the federal and provincial levels, has been insufficiently directed toward this goal.

The second important reason why it is wrong to attribute foreign ownership in Canada simply to the Canadian tariff is that it ignores the very significant institutional innovations that rare represented by the evolution of the modern and above all the American, corporation.[16] At the same time as the railway was creating a new potential for Canadian industrialization, it was also creating the American giant corporation capable of exploiting the national market shaped by the railroads. The proximity of Canada and the tendency of American businessmen to regard Canada as not a foreign country facilitated the spread of the American corporation across the Canadian border. The innovation of the corporation organized along functional lines in the late nineteenth century was followed successively in the twentieth century by the innovation of the multidivisional corporation organized along product lines and the multinational corporation as an integrated entity producing in a number of countries. The latter has grown enormously since 1945, and most close students of this phenomenon are predicting continuing expansion.

To recognize these facts is to realize that no set of feasible Canadian policies could -- or should -- have tried to stop the entry of American corporations into Canada. The point is again one of degree. It is likely that the tariff acted to increase the extent of American ownership of Canadian manufacturing, but it is difficult to see how the absence of the tariff would have eliminated it. **Rather, it would seem, along lines previously argued, that the basic determinants, from the Canadian side, were the deficiency of Canadian entrepreneurship and the failure to use public policy to encourage Canadian entrepreneurship and discourage foreign ownership**. *(Not only "public entrepreneurship" but public investment and control beyond railroads and hydro-power to include natural resources ownership and development --Web Ed.)*

It is, then, the combination of the Canadian tariff, Canadian resource endowments relative to American resource needs, and the entrepreneurial drive of the American corporation relative to Canadian entrepreneurial deficiencies which account for the present place of foreign, and particularly American, ownership in the Canadian economy. The extent of foreign ownership and control is too well known to.require detailed presentation in this paper.[17] Suffice it to say that foreign corporations in 1963 owned more than half of Canadian manufacturing industries and almost two-thirds of mining and smelting and petroleum and natural gas, and that ownership was predominantly American. Not surprisingly, the opening sentence of the Watkins Report reads "The extent of foreign control of Canadian industry is unique among the industrialized nations of the world."

In the language of the economists, foreign direct investment creates both benefits and costs for host countries such as Canada.[18] While economic benefits resulting from our easier access to foreign technology, capital, entrepreneurship, and markets are difficult to measure with precision, it is clear that they are positive and have made a substantial contribution to Canada's present high standard of living.[19]

But there inheres in the process of reaping potential benefits from foreign ownership a variety of costs. One of these, much emphasized by the *Watkins Report,* **is a simple failure, to get as large benefits as possible because of inappropriate industrial policy in Canada**. In particular, benefits are emasculated by the absence of sufficient competition in Canada to keep costs and prices down. There is a large literature by Canadian economists lending support to the view that this phenomenon is primarily attributable to the combination of a high tariff and a weak anti-combines policy. The possibility that the costs inheres in foreign investment in so far as the American industrial structure is imported into Canada, with a consequent proliferation of firms of less than optimal size, is less frequently admitted. But the basic fact underlying these arguments that is almost never made explicit is the deficiency, quantitative and qualitative, of indigenous Canadian firms. **Foreign firms are not compelled to be efficient by the presence of efficient Canadian firms, and barriers to entry from foreign firms are low because of the absence of established and viable Canadian firms. Rather, foreign firms occupy markets and create higher barriers to entry for domestic firms, thereby inhibiting Canadian entrepreneurship. In this sense, the major "cost" of foreign ownership is not the emasculation of benefits per se but the emasculation of the Canadian bourgeoisie.[20]**

It seems almost redundant to add that political consequences inhere in this economic nexus. At the first level of analysis -- again providing a basic theme for the Watkins Report and drawing particularly on the thinking of Stephen Hymer and Abraham Rotstein -- foreign investment implies control by large foreign-based corporations with a consequent tendency for the locus of decision-making to be outside the host country and to be more susceptible to the policy of the home government than the host government.[21] Key decisions relevant to Canadians are made by Americans in board rooms in New York and conference rooms in Washington. But the basic fact is Canadian complicity in this arrangement consequent on the nature of a Canadian elite dominated by its emasculated business class. **The Canadian bourgeoisie is fit only to live**

in a concessionary economy and the Canadian economy has explicitly taken on the character. Faced with the American interest equalization tax and American balance-of-payments controls on direct investment, Canada has sought "special status" at the cost of further diminishing its credibility as an independent country and further increasing its vulnerability to American retaliation -- meaning chiefly American indifference to Canadian pleading -- in the event of any Canadian initiative deemed unfriendly by Washington.

What kinds of economic policy have been proposed, particularly by Canadian economists, and, up to a point, practised, in the midst of these events? What may we already have by way of a new national policy? Essentially two things: monetary-fiscal policy and industrial policy. The former implies, following Keynes, the manipulation of the money supply and government spending and taxation in pursuit of the goal of full employment without inflation. While the Canadian government apparently committed itself to Keynesianism in the *White Paper of 1945*, its willingness to translate rhetoric into practice was slow and uneven. The major (perhaps only) contribution of the *Carter Report of the Royal Commission on Taxation* in 1967 may be simply that Keynes' General Theory, albeit as refined and emasculated by (liberal) neo-Keynesians, has now been translated into the Canadian vernacular. Unfortunately, the major contribution of the Economic Council of Canada in specifying the trade-off between the level of unemployment and the rate of price increase in Canada has been to show that the relevant variable is the performance of the American economy.[22] **So far as pretensions to an independent monetary policy are concerned, Canada has been described as the 13th Federal Reserve District; and such are the constraints on fiscal policy that an increase in taxes to control inflation in Canada, as in the supplementary budget in the fall of 1967, is likely to leave Canadian prices unchanged, since the latter depend on the American price level, while at the same time increasing unemployment in Canada.[23]** Monetary-fiscal policies remain important weapons to facilitate Canadian growth along the American growth path, but a neo-Keynesian National Policy -- "let the price system work and lean against cyclical winds" -- must not be confused with policies designed to create, or even maintain, Canadian independence vis-a-vis the American system. More bluntly, the capacity of the Canadian government to create jobs and keep inflation under control is negligible.

Canadians, aided and abetted by the Economic Council, have discovered a productivity gap between Canada and the United States -- that is, that Canadians are on the average poorer than Americans -- and have rationalized a set of industrial policies intended to rationalize Canadian industry in terms of its structure and performance: more and better education, particularly in management and vocational skills; more research and development; and effective anti-combines policy; and, above all, tariff reduction. Industrial policy, so conceived, has serious limitations, both of omission and of commission. Notably absent is any policy toward foreign ownership other than the open door. Even when we are faced with the hard fact that Canadian industry is a miniature replica of American industry, it is steadfastiy insisted that this results from the Canadian tariff and would disappear were the latter removed. **The Economic Council has gone so far as to list seven factors which cause limited specialization within**

Canadian manufacturing without managing to stumble across foreign ownership.[24] Errors of commission, while less blatant, are nevertheless real. There is a failure to recognize that the neglect of R&D and of education are predictable symptoms of an emasculated bourgeoisie. There is a failure to see that a more vigorous Canadian anti-combines policy might inhibit the emergence of stronger Canadian firms able to challenge effectively the American-based giants and that, in any event, to move Canadian policy closer to American policy is not to guarantee real competition (the latter hardly being the most conspicuous feature of American capitalism).

Above all, there is a failure to recognize the limitations of tariff reduction as a policy weapon -- for at least five reasons. First, in so far as the Canadian tariff has increased the population-sustaining capacity of the Canadian economy, the elimination of the tariff might reduce that capacity. To force emigration in the name of efficiency was widely practised by industrializing Europe in the nineteenth century but is curiously archaic as a twentieth-century policy. Second, to argue that lowering the Canadian tariff would increase competition in Canada via import competition is to ignore the extent to which the importers would be affiliates of Canadian firms whose pricing decisions are not predictable from assumptions of atomistic competition. Third, the tariff is an instrument of government policy and as such has virtue -- that is, no government faced with a number of goals unthinkingly abandons a policy instrument. Economists advocating free trade, free capital movements, and, following Carter, a neutral tax system may be (unintentionally) weakening the capacity of the federal gove-rnment, already hamstrung by the constitution, to pursue certain national objectives.[25] Fourth, while tariff reduction would provide some incentive to rationalize Canadian industry -- indeed, in some cases at the risk of otherwise perishing -- it does not in itself provide the means, be it capital, entrepreneurship, or planning, necessary for rationalization.

Finally, while the tariff facilitates rationalization, given the existing extent of foreign ownership, it must do so within multinational corporations and in a manner appropriate to their mode of operation. When foreign-based firms rationalize their Canadian operations, the decisions will be made in head offices outside Canada, and a pattern of specialization is likely to be adopted that will require more parent company control for the indefinite future. This point provides an answer to those people who sense that free trade must have political costs, but have difficulty specifying the channels of political influence. ***If fewer decisions are made in Canada by Canadians, that is a political cost -- and this could very easily happen under free trade unless there is a strong national government.***

There is undoubtedly a case for rationalizing the Canadian tariff structure, but only as part of a broader national policy. In general, the set of monetary-fiscal policy and industrial policy now widely supported in Canada have not interfered with, but rather have probably facilitated, the recent drift toward continentalism.

Although free traders have had too easy a time in this country recently, it is nevertheless true that a new national policy must centre on foreign ownership rather than the tariff; the beginning, but hopefully not the ending, would be to implement the proposals of the *Watkins Report* **-- if not its letter,**

at least its spirit. There is a need to increase the economic benefits from foreign ownership -- by rationalizing the structure of Canadian industry, by proper taxation, by Canadian participation in ownership (including minority shares). There is a need to decrease political costs by setting up Canadian legal and administrative machinery to countervail the intrusion of United States law and practice with respect to trade with certain communist countries, anti-trust procedure, and balance-of-payments guidelines and controls imposed on direct-investment firms. Above all, however, the burden of this paper is that things must be done to promote domestic entrepreneurship, private and public, the creation of the Canada Development Corporation being an obvious first step.

To come to terms with foreign ownership would cause Canadians to view other policy objectives and instruments in a more realistic light. The present obsession with increasing Canadian productivity might be exploited, but "rationalization" should be recognized for what it should be -- that is, "economic planning" -- and the existence of alternative modes of rationalization recognized. There is no need for Canadian industrial policy to operate solely within rules imposed by the multinational (American) corporations. If the object of the exercise is to rationalize Canadian industry under Canadian control -- and the economic and political arguments for the latter are strewn throughout this paper -- then rationalization causing each Canadian firm to specialize vis-a-vis [it's] American parent, thereby locking the Canadian industrial structure into the American industrial structure, must be spurned in the interest of promoting mergers within Canada which would create Canadian-based giants capable of surviving in a world of American-based giants.[26]

Other instruments of policy would also fall into perspective. Further special exemptions from United States monetary and commercial policies should be seen as part of a policy of economic planning rather than as a chapter in the theology of economic liberalism. And anti-combines policy should be revised in such a way as not to inhibit Canadian firms from growing to challenge American firms, at home and abroad. *[This comment on growth of sector monopolies within Canada not set in the ppropriate state-ownership socialist perspective -- Ed.]*

Just as the old National Policy had extra-economic implications in terms of nation-building, so would a new National Policy of the sort being sketched here. ***The failure to limit American extraterritoriality via the medium of the American subsidiary constrains the exercise of an independent foreign policy in Canada and thereby limits an essential component of modern nationhood***. Canada will be in most anomalous position should Ottawa succeed in diplomatic recognition of China while our major corporations which happen to be American-controlled face formidable obstacles from Washington in trading with China; it would be intolerable to have a major Canadian initiative in the direction of co-existence diminished in this fashion.

It would be dangerous to pretend that the problem of national unity could be solved in Canada by coming to terms with foreign ownership, but there is good reason to believe that unity would be

fostered, not hindered, by so doing. It is inherent in the nature of foreign power to divide and rule and American corporations are not able to escape from this compulsion. Regions within Canada are understandably concerned to get their fair share of foreign-controlled industry and hence to compete among themselves to the extent of their laissez-faire policies. Only a national policy is feasible, and to make common cause against foreign encroachments can be a satisfying component of nationalism. Nor is it unrealistic to argue that Quebec, as it enters a more advanced stage of capitalism, would find Canada a more attractive country to which to belong if Canadian capitalists could be taken seriously. For the new generation of French-Canadian technocrats and capitalists, it would seem important to have Canadian institutions, private as well as public, in which they can not only speak their own language but pursue their own industrial ambitions.

It has become customary to view the political dimension of policies toward foreign ownership as meaning that independence would create costs in terms of lowering the standard of living. But the dichotomy between political independence and economic benefits may be false -- at least in the long run. ***The extent of foreign ownership of Canadian economic activity has meant the creation of a branch-plant economy in Canada. A branch plant is not where the action is, in terms of new products, technologies, and ideas; and neither is a branch-plant economy***. Insufficient attention has been devoted to the inherent limitations, in terms of potential for economic growth in a world of constant innovation, of a branch-plant economy. A distinction is sometimes made by economists concerned with the poor countries between economic growth (rising per capita income within an existing institutional shell absorbing foreign technology but not generating its own) and economic development (the institutional transformation of the economy as a precondition for autonomous and sustained growth). **Considerations of this type have led Kari Levitt to label Canada as the richest underdeveloped country in the world. Development would consist of substituting a native bourgeoisie for a foreign-dominated bourgeoisie.** [Again, this **c**omment on growth of a native bourgeoisie must be counterposed to the appropriate state-ownership socialist perspective as the only practical solution and only way of mobilizing working-class forces to achieve this transformation – Web Ed.]

But the most important political dimension of a new National Policy would be the simple need to assume the burden of the old National Policy of "defensive expansion" vis-a-vis the United States.[27] ***As the American industrial system has evolved into the military-industrial complex, the threat to survival, both personal and national, has crossed new thresholds. "Defence" must mean what [it] says, rather than be an antiseptic word for complicity.*** "Expansion" must mean not rising standards of living at any political price, but rather the nurturing and sustaining of Canadian institutions and values that may bend but not necessarily break in the face of America's erratic swings from remaking the world in its own image to withdrawing into the isolation of fortress America and leaving the rest of the world to go it alone. The latter possibility is rapidly becoming a probability and Canada may shortly have to assume the burden of its own destiny by default.

R E A L I T I E S

It has not been the intention of this paper to insist that a new National Policy should ignore all matters that do not relate to foreign investment. It is right to care about poverty, housing, and pollution. But the term National Policy had already been appropriated to describe economic independence and it seemed legitimate to build on that tradition.

Nor has it been intended to exaggerate the efficacy of a new National Policy. It is central to this paper that multi-national corporations do run the "free world" and that talk about the independent power of the technocrats is more a future possibility (not necessarily desirable) than a present reality. To know where the power lies is to know that it will be difficult to do much about it. Nevertheless, it seemed better to search for possibilities rooted in our history rather than play at being blind men or engage in flights of fancy.

Nor, finally, has it been intended to come down too crudely on the side of Canadian capitalism. It is necessary, however, to "tell it like it is." Canadian reformers have been hung up too long by refusing to recognize that their dislike of the Canadian establishment (to use their euphemism) only plays into the hand of the American establishment. ***A capitalist is also a citizen and liberals who argue that a capitalist is merely a capitalist are vulgar Marxists unwilling to face the reality of nationalism. Canada is committed to the capitalist path of development, and, in the final analysis, Canadians should prefer home-brewed capitalists over alien capitalists.*** *[The author in criticizing "vulgar Marxists" should recognize that their views, and those of socialist Canadians who recognize and value the progressive thrust of nationalist sentiment in this country, do not subscribed to this 'final analysis' and would never 'prefer the home-brewed' over the 'alien' class oppressors -- Ed.)* ***If Canada is to be a capitalist country -- and the prospects for change in this respect are hardly part of the agenda for 1970 -- then a case can be made for a Canadian bourgeoisie whose competence and initiative are of a high order.*** *(The 'prospects for change in this respect' are, in fact, no less 'on the agenda for 1970' than they have been on previous decades, which heightens the need for Canadian economic and therefore social sovereignty to urgent levels which, plainly, cannot be achieved without first establishing state ownership and control over banking and the "staple" economy -- Ed.)*

To argue for a policy of Canadian independence is not to neglect the urgency of social reform for Canada. The tasks of redistributing income, alleviating poverty, disposing of the benefits of the new technology in a more democratic way -- none of these are precluded by focusing on economic independence. Indeed, it is difficult to see how Canadians can humanize the operations of an economy over which they have lost control. What does it mean to argue that Canadian social reformers should forget about economic independence so as to focus more clearly on the welfare state[28] when Ottawa appears to lack the simple capacity independently to create jobs and control inflation?

And to suggest that Canadian nationalism is a good in itself is not to praise nationalism but rather to insist on the need for protection from American fall-out: *(or, to adopt a hopefully not too 'vulgar' Marxist concept, to recognize the positive thrust of the nationalism of the 'oppressed' nation over the thoroughly reactionary nationalism of the 'oppressor' nation as many radical writers have -- Ed.)*

(The author further quotes Gad Horowitz --Ed.)

["][A] strong Canadian nationalism capable of reversing the absorption of this country in the United States is an essential first step towards the emergence of the kind of Canada that could possibly make some small contribution to the realization of the anti-nationalist ideal (of the establishment of the federal republic of mankind). Canadian sovereignty is not being eroded by the republic of mankind; it is being eroded by the American Empire. A Canadian elite which permits increasing integration of this country with the United States, whether or not it does so under the cover of well meaning cosmopolitan slogans, will be serving not the interests of humanity, but those of the most powerful and possibly the most dangerous nationalism in the world. The point of Canadian nationalism is not to preserve a sovereign Canadian nation state for ever and ever no matter what, but to preserve it so long as the only unit capable of absorbing it is a larger and more terrible nationalism.["][29]

(Thus, the 'prospects for change' referred to above need not be limited to 'the agenda of 1970' but be seen as an urgent contemporary need requiring the creation of political forces to achieve this change – enabling that unstated transition to a socialist Canada which heightened nationalist revolt would ignite – Web Ed.)

N O T E S

1. Canada, Privy Council Office, *Foreign Ownership and the Structure of Canadian Industry: Report of the Task Forceon the Structure of Canadian Industry* (Ottawa, 1968), 415 (known popularly as the *Watkins Report).* It will quickly become evident to the reader that this paper is primarily about foreign ownership. Given my association with the *Watkins Report*, it must be emphasized that the views expressed in this paper are mine. I do not speak for the government of Canada or for any other members of the Task Force which prepared the Report, though my own views have benefitted greatly form my association with the latter.

2. A key article in this respect is V.C. Fowke, "The National Policy - Old and New," *Canadian Journal ofEconomics and Political Science* 18 (1952): 271-86; reprinted in W.T Easterbrook and M.H. Watkins, *Approaches to Canadian Economic History* (Toronto: Carleton Library, 1967).

3. I have previously dealt with this difference in interpretation in "Economic Nationalism," *Canadian Journal of Economics and Political Science* 32 (1966): 388-92, in the process of reviewing an excellent documentation of the historian's position presented in Robert Craig Brown, *Canada's National Policy, 1883—1900: A Study in Canadian-American Relations* (Princeton, 1964). The boldest statement of the economist's position is Harry G.Johnson, *The Canadian Quandary* (Toronto, 1963).

4 John H. Dales, *The Protective Tariff in Canada's Development* (Toronto, 1966).

5 See in particular, D.G. Creighton, *The Empire of the St. Lawrence* (Toronto,1956)

6. Two possible reasons for this bias of economists in general are, first, the mechanistic, non-institutional nature of neo-classical economics, and, second, the Marxist overtones of recognizing the critical role of capitalists in capitalist developments.

7. See in particular his *The Fur Trade in Canada* (Toronto, 1930) and *The Cod Fisheries* (Toronto, 1940).

8. The leading exponent of entrepreneurial history in Canada has been W.T Easterbrook. See, for example, his "Long Period Comparative Study: Some Historical *Cases," Journal of Economic History* 17 (1957): 571-95.

9. For the best development of this theme, see H.G.J. Aitken, "Defensive Expansion: The State and Economic Growth in Canada" in Aitken, ed., *The State and Economic Growth* (New York, 1959), reprinted in Easterbrook and Watkins (ed.), *Approaches.*

10 For a fuller development of this argument, though seriously deficient of hard research, see my "The 'American System' and Canada's National Policy," in this volume.

11 This theme is brilliantly argued, albeit without new historical research, in Kari Levitt, *The New Mercantilism: The Case of Canada* (mimeo, 1968). A similar argument, in terms of barriers to entry of Canadian firms consequent on the entry of foreign firms, is implicit in Kenneth Wyman, *Non-Resident Control and the Structure of Canadian Industry: Case Studies* (mimeo, 1967).

12 This point is implicit in a discussion for restrictions on foreign owners, rather than a high tariff, to induce Canadian entrepreneurship by Stephen Hymer, "Direct Foreign Investment and the National Economic Interest" in Peter Russell, ed., *Nationalism in Canada* (Toronto, 1966).

13 For a comprehensive treatment of this phenomenon, see H.G.J. Aitken, *American Capital and Canadian Resources* (Cambridge, Mass., 1961).

14 For a fuller development of this argument, see R.E. Caves and R.H. Holton, *The Canadian Economy* (Cambridge, Mass., 1959), part I; see also my "A Staple Theory of Economic Growth," *Canadian Journal of Economics and Political Science* 29 (1963): 141-58, reprinted in Easterbrook and Watkins (eds), *Approaches.*

15 From an analytical perspective, we need a "theory" of economic growth which effectively weds the Ricardian theory of comparative advantage with the Marxian theory of the leading role of the bourgeoisie. Given the demonstrated efficacy of the staple theory in explaining Canadian historical development, an important topic awaiting serious research is the effect of different staples in facilitating, or inhibiting, Canadian entrepreneurship.

16 See Alfred D. Chandler, Jr., *Strategy and Structure: Chapters in the History of the American Industrial Enterprise* (Cambridge, Mass., 1962).

17 For the most recent detailed statistics, see Dominion Bureau of Statistics, *The Canadian Balance of International Payments 1963, 1964 and 1965 and International Investment Position* (Ottawa, 1967); for a summary of the present position based on DBS data, see Watkins Report, 5-13.

18 The cost-benefit approach pervades the Watkins Report.

19 For a heroic attempt to quantify benefits, see R.G. Penner, "The Benefits of Foreign Investment in Canada, 1950-56," *Canadian Journal of Economics and Political Science* 32 (1966): 172-83; see also various sections of the Watkins Report.

20 **The essence of the situation is embodied in the Canadian-American Committee, where Canadian executives of American-controlled firms and their American "counterparts" preach to themselves -- and to others silly enough to listen -- [of the] emasculation. It lies beyond the confines of the paper to explain why Canadian**

union leaders also participate in this farce.

21 Hymer, "Direct Foreign Investment"; Rotstein, "The 20th Century Prospect: Nationalism in a Technological Society," in Russell, ed., *Nationalism in Canada.*

22 Economic Council of Canada, *Third Annual Review: Prices, Productivity and Employment* (Ottawa, 1967), and the Council staff study, "Price Stability and High Employment. The Options for Canadian Economic Policy: And Econometric Study," by R.G. Bodkin, E.P. Bond, G.L. Reuber, and T.R. Robinson.

23 This is a non[one?]-sentence summary of a half-hour CBC-TV interview of Professor Mundell of the University of Chicago at the time of the supplementary budget.

24 *Fourth Annual Review: The Canadian Economy from the 1960s to the 1970s* (Ottawa, 1967), 155-6.

25 For a critique of the Carter Commission (Royal Commission on Taxation) *Report* in these terms, see Stephen H. Hymer and Melville H. Watkins "The Radical Centre - Carter Reconsidered," *Canadian Forum* (June 1968).

26 It might then develop that American extraterritoriality via American anti-trust law, by inhibiting American-owned subsidiaries in Canada from participating in such rationalization programs, will have, to be recognized for the serious problem that it is.

27 Aitken, "Defensive Expansionism."

28 This is the favourite gambit of Carleton University economists in letters to Ottawa newspapers.

29 " *Canadian Forum* (May 1968). **Gad Horowitz, "Trudeau vs Trudeauism,**

Staples and Beyond

Selected Writings of Mel Watkins

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CHAPTER 7

The US-Canada Free Trade Agreement (1988)

Reprinted from Monthly Review *(September 1988): 34-42.*

(All emphasis by the Web Ed.)

In October 1987, the US and Canadian governments announced that they had successfully negotiated a comprehensive bilateral free trade agreement. The full details of the accord were made public in December. On January 2, 1988, President Reagan and Prime Minister Mulroney signed the agreement. If approved by the US Congress and the Canadian Parliament, it will come into effect on January 1, 1989. The Canadian Left, plus some centrist forces, have resolved, however, to prevent this from happening.[1]

The agreement is sweeping in its scope, going well beyond what has been conventionally involved in the creation of a free trade area. Of course, tariffs between the two countries will disappear, phased out over a ten-year period. These have been eroding steadily since the Second World War through the GATT (General Agreement on Tariffs and Trade), but the process will be accelerated. Canada, which presently has the higher remaining tariffs, faces the larger adjustment, a burden which will fall on its workers.

THE PERILS OF PROTECTIONISM

In recent years, however, tensions in US-Canada relations have been associated not with the tariff but with non-tariff barriers. Much of the impetus for this agreement on the Canadian side came from a desire to deal with those issues. **Specifically, as Reaganomics generated a massive US trade deficit -- with corresponding trade surpluses by major trading partners like Canada -- protectionist pressures grew in the United States. Americans were tempted to blame their rising propensity to import on the alleged unfair trading practices of other nations, and to cast the net widely in defining an unfair trade practice. Regional development policies, special unemployment insurance payments to seasonally unemployed fishermen in the Atlantic Provinces, lower stumpage charges on lumber in British Columbia than in the Pacific Northwest: all have been cited by Americans as unfair Canadian trade practices instead of, as the Canadian government insists, legitimate policies lying within its purview.**

The US response to these perceived inequities was to impose countervailing tariffs or anti-dumping duties in specific cases, to the detriment of Canadian exports and jobs. Many Canadians feared that the United States would adopt still more punitive protectionist measures across-the-board; given Canada's extraordinary reliance on exports to the United States (which constitute about 80 percent of the total), its vulnerability was evident.

The reaction of the Canadian government was to try to cut a deal which would somehow exempt Canada from the general US trend toward protectionism. The strategy was based on the view that US protectionism was such a serious threat that it required an extraordinary response by Canada, and that concessions could be wrung out of the United States at a cost tolerable to Canada.

The resulting agreement sets up a binational dispute resolution mechanism that is empowered to judge whether either party applies its trade law unfairly. Hence, US law remains in place, and can even be extended. Canadian critics have properly insisted that this mechanism fails to speak to the main problem -- the continued existence of US protectionist law and policy.

Nor does the agreement contain a subsidy code which would define certain (Canadian) government policies as legitimate and therefore not subject to (US) counteraction. Rather, it sets up a period of five years, which can be extended to seven, during which both parties will try to negotiate such a code; failure to do so can constitute grounds for abrogation of the entire agreement by either party on six months notice. ***This provision would seem to invite disaster for Canada. The pressure will be on Canada, the smaller country, to align its policies with the United States; should it fail to do so, it will risk the prohibitive costs of disrupting the new patterns of trade and investment which will have been created through the agreement.***

Incredibly, the deal includes no automatic exemption for Canada from generalized US protectionism. It happens that this prospect has significantly lessened, as the overvalued US dollar has fallen decisively and the Crash of 1987 has made members of the US Congress fearful of the charge that protectionism will bring down the global house of cards. But that only means that Canada, which made major concessions to get this deal, did so to evade what has turned out to be a low-risk threat.

CANADIAN CONCESSIONS

The list of what Canada gave up is lengthy.

To an extent unprecedented in existing trading arrangements, this agreement opens up the service sector: financial institutions, insurance, advertising, data processing, management services, and the like. The Reagan administration pushed for this concession, believing that comparative advantage in this sector lies with US companies. The Mulroney government acquiesced, though what little research has been done on the consequences for Canada indicates that the impact will be adverse.[2]

To have free trade in services, companies must be able to move as they wish and must never be treated differently because they are foreign. These conditions are known as the right of establishment and the right of national treatment, and they are enshrined in this agreement.

To* round out this guarantee of corporate mobility -- this charter of rights for business -- Canada agrees to cease monitoring all but the biggest of US takeovers of Canadian firms and not to impose domestic content provisions on the Canadian operations of US companies**. ***Likewise, Canadian companies get more secure rights to operate in the United States, but that may well work to the disadvantage of Canadian workers as their employers flee to the right-to-work, weakly unionized southern states.

Opposition to this so-called trade agreement, then, should be seen as opposition to the rights of capital to roam freely throughout the continent while less mobile labour remains rooted in national communities. **It should not surprise anyone that capital on both sides of the Canadian-US border supports this agreement, while organized labour on both sides (notably the AFL-CIO [the central US craft and industrial union federations -- Ed.] and the Canadian Labour Congress) opposes it; within Canada, steelworkers who are part of an international (i.e. US) union and autoworkers who are now in an independent Canadian union both oppose it.** Defeat of the agreement would therefore be a major victory for progressive forces, particularly in Canada where the opposition between capital and labour -- and labour's allies in the churches, the women's movement, poor people's groups, environmentalists, the peace movement, the cultural community, aboriginal people's organizations, and so forth -- is evident for all to see.[3]

The breadth of this opposition reflects the pervasive reach of the agreement. It gives the United States virtually unlimited access to Canada's more abundant energy resources, thus promising to push up the energy prices paid by Canadians in the future and, by increasing the rate of resource exploitation, to add to environmental degradation and intrusions on northern lands occupied by aboriginal people.

The agreement claims to exempt cultural industries, but the Canadian cultural community has not been convinced; Canadian writers, film-makers, actors, and musicians overwhelmingly oppose it. One reason is that they are not fooled by the false promise of improved access to the US market. They know that the issue for Canadian culture, faced with the onslaught of the US cultural industries, has always been access by Canadians to the Canadian market. Another reason is because of a bizarre clause in the agreement that says that if either party (read Canada) initiates new policies with respect to the cultural industries, the other party (read the United States) "may take measures of equivalent commercial effect" -- and can apparently do so anywhere it wants!

The service sector, which is being opened up to heightened US competition, also includes public-sector activities like health care. **The Mulroney government insisted throughout the negotiations that social programs were not on the table, but the fine print of the agreement lists, as services covered, "health care facilities management services."** The definition of "health care facilities" includes every kind of hospital, public health clinic, and so on. "Management services" mean what it says: managing or running these. Canada relies much more on the public sector than does the United States for the delivery of health care -- and in the process does so more cheaply and in a more egalitarian way. ***This agreement is an open invitation to the US private sector to come to Canada and lobby for the privatization of health care.***

Canadians also have a tradition of greater reliance than Americans on public enterprise, or what in Canada are called Crown corporations. Hidden away near the end of this agreement is a clause titled "Monopolies," which talks about the rights of the other party to the agreement when one party "designates a monopoly." Translated into Canadian English, that means "creating a Crown corporation." This agreement actually binds Canada to consult with the United States in that event and "to minimize or eliminate any nullification or impairment of benefits" to US companies.

That sets Canadians to wondering: If this deal had been in effect in the past, would private US insurance companies have been able to block Medicare? Would Denticare be possible in the future? The Canadian Left has valid complaints against the Canadian capitalist state, including the tendency of too many Crown corporations to behave like their private-sector counterparts, but exposing Canadians to the tender mercies of the private sector is hardly the solution.

Both the health care issue and the monopolies clause also show that there are concrete connections linking free trade and privatization with attacks on the welfare state. The free-trade agreement is the means by which the neo-conservative corporate agenda, which has already so ravaged the United States, will come to clobber Canada.

There exists between Canada and the United States one sectoral trade agreement that has worked well for Canada in terms of jobs, the Auto Pact covering trade in the automotive sector. It has led to greatly increased specialization and trade in that sector. Since it includes domestic content provisions -- which constitute employment safeguards for Canadians -- it is an example of managed trade, or of effective industrial policy, rather than market-driven free trade. **It is the specific contribution of this free-trade agreement to erode the safeguards for Canada in the Auto Pact AND to tie the hands of government in such a way as to ensure that no other industrial sector will ever be allowed to have an arrangement of that nature.**

The sum of this and other concessions -- on tariffs, on investment controls, on energy -- will tightly constrain the ability of future governments in Canada to pursue an industrial strategy. Yet a look around the world today strongly suggests that the most successful economies are those where such policies are pursued; even the United States, despite its rhetoric to the contrary, does so under the aegis of the Pentagon, albeit to its long-run detriment. **This agreement is supposed to give Canadian firms preferred access to the large US market. It is uncertain that the agreement actually does that: but even if it did, it denies them the supporting government policy that would be needed to succeed in exploiting that opportunity.**[4]

ECONOMIC CONSEQUENCES FOR CANADA

The Mulroney government is, nevertheless, trying to sell free trade with the United States as the means to create economic growth and jobs in Canada. A look at the present pattern of Canadian trade with the

United States suggests a very different outcome, with jobs more likely to be destroyed than created as a result of the agreement.

The characteristic feature of the Canadian economy, in comparison with other advanced industrialized economies, is its heavy, indeed excessive, reliance on exports of resources, mostly to the United States and often in surprisingly unprocessed form. Those exports create a very large trade surplus, which is then offset by trade deficits everywhere else -- in agriculture, manufacturing, and services.

Free trade is likely to intensify existing patterns of trade. A country finds that its already strong sectors are best able to withstand the suffer winds of competition and take advantage of market opportunities, while its already weak sectors are pushed to the wall and decline yet further. Existing trade surpluses grow; so do existing trade deficits.

If free trade enables Canada to expand at all, it will exacerbate the resource-bias of the economy. This trend will be bad news for workers, since resource-production employs few people per unit of output. It is in the manufacturing and, above all, service sectors where there are jobs, but these sectors are where Canada is likely to end up relying more on imports.[5]

POLITICAL RESPONSE

The politics of the free trade issue -- the constellation of political parties and provincial governments pro and con -- make the outcome of the intense debate that is going on inside Canada hard to call. Public opinion is essentially split down the middle; polls tend to show that a slight majority favours the agreement, but that opponents feel more strongly about the issue.

The Conservative federal government, with a large majority in Parliament, supports the deal, but both opposition parties -- the Liberals (a centrist party, the traditional governing party in Canada) and the New Democratic Party (the social democratic labour party) -- oppose the agreement and say they will work to obstruct its legislative implementation and will tear it up if given the chance. Polls for some time have been showing the electorate to be about equally divided among these three parties. An election does not have to be called until September 1989; the free trade agreement could by then have come into effect, and some wonder if the opposition parties' commitment to abrogate it would be honoured, particularly by a Liberal government, given the customary willingness of such governments in the past to heed the advice of big business.

Of the ten provinces, two oppose (the largest, Ontario, and the smallest, Prince Edward Island); one is in limbo (Manitoba, whose NDP government, which opposed the deal, was replaced in May 1988 by a minority Conservative government); and seven support. (Of the two territorial governments in the North, that of the Yukon Territory, of NDP persuasion, opposes.) There is no pretending that this lineup is other than bad news for the opponents of the deal. The breakdown is perilously close a confrontation between

populous and (relatively) prosperous Ontario -- presently the main benefactor of the country's uneven development, with most of the manufacturing jobs and head offices -- and the rest of the country, reliant on resources and resentful of Ontario's advantage. The regional passions aroused play into the hands of the free traders.

Quebec, long grouped with Ontario as part of Central Canada, has lined up with the resource hinterlands, with decisive consequences for the alignment of forces within the federal state. **Many Francophone Québécois (almost half in the referendum of 1980) have wanted sovereignty for Quebec, with an economic association with the rest of Canada along the lines of a free-trade area. Proponents of this arrangement -- notably Jacques Parizeau, the independentist leader of the opposition party, the Parti Québécois -- also saw it as a step toward a North American free trade area between Canada and the United States as facilitating the emergence of a sovereign Quebec.** Meanwhile, the Liberal pro-federalist Premier of Quebec, Robert Bourassa, also supports free trade, conjuring up visions of vast resource sales to the United States: hydroelectric power from James Bay today, perhaps water tomorrow.

Resource-dependent provinces, such as Alberta, have tended to resent federal initiatives as intrusions on provincial rights, but the free trade agreement turns out to be the federal initiative that they like -- even though it claims to bind the provinces and override their rights. When the chips come down, right-wing governments (like the Conservative government of Alberta) are prepared to yield up rights to the "market" which they will not yield to interventionist national governments. They have been prepared to defend the agreement as insurance against any centrist or left-leaning national government being able to do anything in the future. This stance is stunning evidence that even in Canada -- that paradigm of a federal state where it is often alleged that all that matters in its politics is federal/provincial conflict -- ideology matters, and class matters.

The free trade debate has the virtue that it has put class politics, and hence socialism, more firmly on the agenda of Canadian politics. That makes it essential, however, that the free trade agreement should be definitively defeated. Otherwise, the Canadian Left risks trying to build socialism in a country denied its own future.

NOTES

1. For an earlier commentary on the debate within Canada about US-Canada free trade, see Sadequal Islam, "Free Trade and Protection: the US-Canada Case," *Monthly Review* (November 1987).
2. See Marjorie Griffin Cohen, *Free Trade and the Future of Women's Work: Manufacturing and Service Industries* (Toronto: Garamond Press, 1987).
3. The big business lobby for the agreement is described in Duncan Cameron, "The Dealers: Who's Behind Free Trade," *This Magazine* (February ig88). The Marxist ease for protection as the alternative to the corporate agenda for free trade is cogendy argued in Michael A. Lebowitz, "Trade and Class: Labour Strategies in a World of Strong Capital," *Studies in Political Economy* (September 1988).
4. Stephen Clarkson of the University of Toronto, a leading critic of the trade deal, foresaw that outcome in 1982: "The price for admission to the American market would be the economic policies needed to put Canadian industry in

a position to compete there" (*Canada and the Reagan Challenge* (Toronto: James Lorimer and Company, 1982), 137).

5 This analysis draws on the theorizing of the so-called staples school of Canadian political economy, which has grown out of the writings of Harold Innis. It is consistent with the findings of a confidential study of the impact of the free trade deal on the Canadian economy by the economics department of one of Canada's biggest banks (the Bank of Nova Scotia). Done to help its credit managers decide who should and should not get loans, its conclusion is stark: "Beyond resources, all other major sectors are net losers."

Staples and Beyond

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CHAPTER 8

The Waffle and the National Question (1990)

(All emphasis by the Web Ed.)

The *Waffle Manifesto* was entitled "For An Independent Socialist Canada." Its opening sentence reads: "Our aim as democratic socialists is to build an independent socialist Canada." ***The very essence of our position, of our politics, was the linking of independence and socialism, of the national question and the class question.*** John Bullen, in his splendid history of the Waffle, shows how that linkage was, in his words, the Waffle's "principal political tenet."

In 1965 George Grant had written in *Lament for a Nation* **that socialism could not be the salvation of Canada because Canadian socialist leaders "had no understanding of the dependence of socialism and nationalism in the Canadian setting." We were resolved to change that.**

We *(Waffle – Ed.)* said that independence could only be achieved through socialism because the Canadian business class, and the political parties which represented Canadian business, could not be relied upon. ***"There is not now an independent Canadian capitalism and any lingering pretension on the part of Canadian businessmen to independence lacks credibility"*** *[only 'credibility'? -- Web Ed.)* With the passing of Walter Gordon, there are no longer even such lingering pretensions.

We said an independent socialist Canada could be achieved through the NDP as the party of working Canadians. Yet on the national question and on the role of the trade union movement we truly waffled in the *Manifesto.* ***Under the influence of staff representatives from international unions and of Ed Broadbent, the only elected politician involved in the Waffle in its early days (who abandoned us at the insistence of David Lewis), we called for more democracy in the labour movement and for workers' control, but we made no mention of the importance of an independent Canadian union movement****.*

In the era of the American war in Vietnam and of the New Left as a global phenomenon, we translated anti-war and anti-corporate sentiment into Canadian nationalism, and we even tried to do it within a parliamentary party. We threatened the mainstream of moderate Canadian nationalism and brought about the creation of the Committee for an Independent Canada. For a brief and heady period, there were teach-ins across Canada in which an independent Canada was assumed, and the debate was about whether it should be a capitalist Canada or a socialist Canada.

The 1970s are now seen as a nationalist interlude between, on the one side, the era of special status for Canada within the American empire of the 1950s and 1960s, otherwise known as the great sell-out, and on the other side, the Reagan-Mulroney era of the 1980s, with Canada (to paraphrase Stephen Clarkson) as exemplary client state. **It was a decade brought to us by Pierre Elliott Trudeau of all people; fervid anti-nationalist though he was, he knew his priorities and was willing to tolerate a little Canadian nationalism the better to defeat Quebec nationalism.** It was, incredibly, even brought to us by Richard Nixon who decided that a beleaguered America could not afford to treat us — as he saw it -- so benignly and would grant us no further special status. Thus with Watergate about to burst, Nixon came to Ottawa in 1972 and unilaterally declared us independent!

Lest we forget, these were the years of the Canada Development Corporation, of the Foreign Investment Review Agency (FIRA) and Petro-Canada, and of the Third Option to lessen Canadian dependence on the US, culminating, post-Waffle, in the National Energy Program. The Waffle

contributed to the nationalist environment within which these things happened but, wanting more, much more, we were not impressed at the time and, I suspect, have been disappointed, though not all that surprised, that much of it did not last.

Relative to domestic ownership, foreign and American ownership in Canada fell in the 1970s and continued to do so into the 1980s; though it remains so high that Canada's right to be in the *Guinness Book of Records* **as the ultimate comprador nation has hardly been put at risk**. It should be conceded that none of us on the nationalist side anticipated this decline. And if, after the event, we have been slow to hail it, it is because we are not sure, given the context in which it happened, that it actually mattered.

There were those who insisted that it proved that the Canadian business class, and the Canadian economy, were now more mature. The problem with that interpretation, however, was that trade dependency on the US grew at the same time, since the Third Option had miserably failed. ***We soon discovered that the new macho business class really just wanted protection against possible American protectionism. In the face of that threat it was Canadian workers and their unions which went nationalist, while Canadian business turned totally continentalist and dragged the whole country into free trade with the U.S.*** The Canadian business class, having opposed any policies that would have reduced our vulnerability and dependency, now argued that the only way to deal with them was to increase them. Ironically, it turns out that Canadian business had simply become mature enough to insist wholeheartedly on continentalism, and to have the cohesion and the clout to get its way.

The key change, the true big reversal, was in the labour movement which moved away from international union dominance toward national unions, creating thereby a stronger base for the articulation of a nationalism that is, by its nature, left nationalism. **If we waffled at the outset, we quickly made up for lost time; a Waffle Labour Caucus argued for Canadian unions, while Wafflers worked with the militantly nationalist Confederation of Canadian Unions in the Texpack and Artistic Woodworkers strikes. Indeed, having moved, we did so to the point that it became our undoing, for it was the international union leadership, in alliance with the Lewis family party establishment, that led the purge. By the time the Canadian labour movement itself became Canadian, which it unambiguously did with the breakaway of the Canadian Autoworkers in the 1980s, the Waffle was history** *(i.e., it had been ordered to disband by a disputed majority within the NDP, and following a debate whether to leave the party or 'stay and fight', re-constituted itself as the 'MISC - Movement for an Independent Canada' -- outside the party – being notably oblivious of the long-standing tradition of the CCF and NDP Socialist- and Left-Caucuses , the archives of its public and party activity now available on this Website -- Web Ed.)*

The 1980s has otherwise been a thoroughly miserable decade, of American truculence and bluster under Reagan and of Canadian retreat, first under Trudeau and then yet more so under Mulroney. The Free Trade Agreement was the culmination of this Canadian slide into colonial status.

What did we learn about Canadian political economy from the Great Free Trade Debate, and from the federal election that became a veritable referendum on the issue, that may be germane to our assessment of the Waffle? We saw, as already implied, a stridently continentalist business class which was wholly and depressingly consistent with the Waffle's best analysis and worst fears. We likewise saw a unified, nationalist labour movement, to whose existence, I like to think, the Waffle had modestly contributed.

We saw a bumbling NDP leadership that, hard though it was to believe, could not grasp the nationalist nettle of free trade as firmly as corporate lawyer John Turner and the Liberal party. In Abe Rotstein's memorable phrase, the NDP, unable to get anywhere in Quebec, demonstrated its inability to deal with the nationalist question in either official language. Such apparently is the continuing cost to the NDP of our expulsion.

Perhaps our leaving deprived the NDP of the continuing stimulus it needed to relate to Canadian, and Quebec, nationalism. We cannot rewrite history, not even our own slight role, but if our staying would

have made the NDP more genuinely nationalist, I can almost be persuaded that we should have tried harder to stay.

But the Free Trade debate also witnessed the creation of the Pro-Canada Network by broad range of popular sector groups, and of a host of local coalitions against free trade. This represented a most impressive social movement. We old Wafflers should all be happy if future historians see the Waffle as an embryonic version thereof.

Thus, although we lost on free trade, we saw remarkable evidence of a strong, left nationalist sentiment as recently as one year ago. Let us, by all means, emphasize the Waffle's contribution to that legacy. Tell me: who on the left has a stronger claim?

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Staples and Beyond

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CHAPTER 9

Foreign Ownership and Canadian Nationalism: Reflections on the *Watkins Report* (1994)

First presented on a panel addressing "Does Canadian Nationalism Exist?" at the International Congress of Mexican Association of Canadian Studies, Mexico City, April 1994.

(All emphasis by the Web Ed.)

When asked the profound and perennial question -- "Does Canadian nationalism exist? -- the challenge is to find a new way to answer it in this post-modern world of post-nation states. My answer consists of a case study -- a case in which I was personally involved. In 1968, I helped to author a report on foreign ownership, titled *Foreign Ownership and the Structure of Canadian Industry.* **Done for the Government of Canada, it came to be known, albeit by default, as the** *Watkins Report.*[1] I cannot assume some quarter-century later that anyone but the most specialized of Canadian historians knows of what I speak. Foreign ownership was an important public issue in Canada in those bygone days. To anticipate my major point: it no longer is in the literal sense -- except for Mel Hurtig's National Party which attracted a minuscule vote in the last federal election -- but it ought to be.

For while the phrase may mostly have disappeared from Canadian political discourse, the phenomenon has hardly disappeared from the Canadian political economy. Canada's right to be ensconced in the *Guinness Book of Records* ***as having the highest level of any (otherwise) advanced industrial economy is as firm today as it was in 1968.[2] While the level fell in the 1970s and into the 1980s -- probably reflecting a decline in US hegemony that created more space for marginal capital such as Canada's — the most recent data shows it rising again since the implementation of the Free Trade Agreement (FTA). Are not critics of free trade right on this point: today's FTAs are merely prosaic names for Charters of Rights and Freedoms for the Corporations, permitting them to locate their production facilities where they please while selling freely everywhere? Some commentators have actually taken to calling them "free production agreements."***

Indeed, ***the*** reality that lay behind foreign ownership from the outset in the late nineteenth century was the giant multinational corporation and it has not exactly withered away. Existing companies, from Olympia & York to IBM, get themselves in trouble and lose power though the former has recently resurfaced in Mexico. But new ones as regularly merge; as Rogers takes over Maclean-Hunter in Canada, and Viacom, Blockbuster and Paramount marry in the US -- which, predictably, spills over into Canada -- there is talk that the world's media may shortly be dominated by four or five monster firms. **"The**

conglomerates," says Manhattan publisher Andre Schiffrin, "are wiping out the small firms and the small countries at the same time."

Globally, transnational capital seems to be very much in the saddle. In the 1980s, foreign direct investment throughout the world increased at three times world trade and four times world output. The down side of that coin is that the world economy is in something of a mess with unemployment rampant. It is always possible there is some connection, and that one really ought to worry about how to regulate corporate capital in the public interest. Which was, of course, always what the issue of foreign ownership was really all about; it was the reason, the rationale, for the response called economic nationalism.

Those days of yore were the days of Walter Gordon, and of antiwar protest, and of the general ferment of the New Left. **Gordon, as Minister of Finance in the Pearson Liberal Government had lost on the budget of 1963 when he had to withdraw a proposed tax on foreign takeovers of Canadian corporations. He subsequently left Cabinet, and by late 1966 planned to resign partly for health reasons. He was persuaded to stay because of polls showing continuing public concern about foreign ownership and a fear by the Liberals that the New Democratic Party would capitalize on this.** But Gordon was never a politician like the others. He was in politics not because he like power *per se* but because he had an agenda, of the things he believed in. He insisted, as the price of his presence in the government, that a task force be appointed to write an official *White Paper* on foreign ownership.

There were eight of us named thereto, chosen by Ministers for (it being Canada) regional and linguistic balance. There was hardly any other sort of balance. All economists, though at least some of us tried to practice political economy. All men; **Kari Levitt was shortly to publish** *Silent Surrender,* **a more powerful critique of foreign capital in Canada and its Canadian allies than the Task Force was able to muster.3**

Our work was overseen by a committee of Cabinet and a more or less matching committee of deputy ministers. The Cabinet Ministers included Mitchell Sharp, an opponent of Mr. Gordon's economic nationalism, and a formidable one as Minister of Finance. Twenty years later, in the great debate of 1988, Mr. Sharp opposed the FTA, but this tells us less about him than about the changing times; the world has shifted right and made Mr. Sharp look like a progressive.[4] There was also Jean Marchand, still the senior of the three wise men (Marchand, Trudeau and Gerard Pelletier) from Quebec. Gordon saw him as his friend and ally, but Marchand, having got Quebec representation on the Task Force expressed no further interest. His project was the very different one of Quebec and Canada. A young John Turner was on the Cabinet Committee too. Gordon saw him as far to the right and did not live long enough to see even him, as leader of the Liberal party in its brief moment of glory, oppose free trade in 1988.

The committee of deputies included Simon Reisman of later infamy as chief negotiator of that FTA. He kept insisting that I was not working for a Minister but for the Government and recommending that I take as long as I wanted. The message was: do this right and you'll have a great future. It tells us much about the

nature of the Ottawa mandarins and how correct George Grant was as to their continentalist role.[5]

The *Task Force Report* ***was downgraded from a*** *White Paper* ***and called the*** *Watkins Report* ***because, with Mr. Gordon now finally leaving parliamentary politics, no one else would take the credit; it was not an auspicious beginning. In Mr. Sharp's telling comment: "the report was only the expression of the personal views of a group of professors and had no bearing on government policy."[6]***

The report was infused with the economist's bland and technocratic language of benefits and costs. The novelty consisted of admitting of the possibility of costs and not simply of the certainty of benefits -- of the economic costs of a branch plant economy and the political costs of extraterritoriality. Both still haunt Canada. The former is now obscured by more intense global rationalization which tends to eliminate the worst inefficiencies consequent on the "miniature replica effect" without altering the basic dependence and vulnerability. **For the latter, it is even the same specific issue, of whether American-controlled subsidiaries in Canada are allowed to trade with Cuba. The root issue was, and is, the room for manoeuvre of national governments vis-a-vis international capital. The** *Report's* **message was that, while political space was limited it was did exist, and that governments should use it, rather than lose it by themselves giving it away.**

Much was made, then and now, of the comparison between the behaviour of foreign and domestically-owned firms and the discovery that sometimes the Canadian-owned variant performs less well than the subsidiary. This misses the larger point of who is in charge, of the possibility that the very dominance of foreign capital in the Canadian political economy sets the tone and pace. ***A study of the ill-fated National Energy Program quotes a Canadian government official: "We underestimated the affinities -- intellectual, ideological and commercial -- between foreign companies and Canadian companies, particularly the ideological factors." Said another official: "It [the Canadian business community] regarded itself as an international business community allied with US investors. It regarded anything attacking the US business community as an attack on themselves."[7]***

On the narrower economic criteria, one is never quite sure whether what is being proven is that foreign capital is good or it is not as bad as domestic capital. Perhaps the proper comparison is of subsidiaries with their parents, particularly with respect to R&D and the range of job-generating head office activities; in these respects, there is no doubt that the subsidiary is a second-class firm.

The Task Force had to confront the insistence of orthodox economics that the inefficiency of the Canadian manufacturing sector was the result not of foreign ownership but of the tariff. We took the sensible view that while the tariff protected inefficient industry, that inefficiency was inherent in a branch plant economy. We rejected the view that free trade was the panacea. What remained of Canadian manufacturing would necessarily be efficient, but no one knew how much would remain. **By late 1991, near the end of the third year of the FTA, a senior vice-president of a large Canadian bank observed, "Many of those who supported the [FTA] believed that if would cause Canadian firms to pull up their socks and do whatever was needed to compete in the North American market. What perhaps**

was overlooked is that many Canadian companies, whether foreign or domestically owned, might adjust to the [FTA], not by standing and fighting, but by cutting and running across the border."[8]

As the free trade debate came to dominate politics from the mid-1980s, the need to worry about how much foreign ownership would stay, compromised the clarity of the message about the need for regulation of foreign capital and helps to explain why foreign ownership is not an issue in and of itself. **In fact, since in the implementation of the FTA in January 1989 there have been Canadian companies taken over by foreign-based competitors and then closed down.[9] At the same time, Canadian operations of American firms are being consolidated into North American divisions to the further detriment of Canadian activities, and foreign nationals appear to be filling more of the dwindling number of top executive jobs in Canada.** ***Mr. Gordon used to argue that foreign companies ought to be required to sell a minority share in their subsidiaries to local interests to make the latter more accountable, and the Task Force endorsed that, but the government ignored the advice.*** **Some companies, like Campbell Soup and General Electric, already did so but in the 1990s they bought out the minority shareholders in order to tighten control.[10]**

The Chief Executive Officers of a number of American subsidiaries met earlier this year in Toronto to deplore their loss of autonomy. They put free trade first as the cause of their problems, but I would bet that all of them voted for free trade in 1988.[11] "Canadians have a good standard of living," writes MIT (PRESTIGIOUS US UNIVERSITY --ED.) economist Lester Throw, "but they can never have the best. The best jobs ... are back at headquarters and that is somewhere else."[12]

Economic nationalism was not a high priority for Mr. Trudeau, though he was willing to throw an occasional bone to the English Canadian nationalist the better (in his mind) to keep them onside in his project to contain Quebec nationalism. Besides, in the global detente of the 1970s there was a bit more room for autonomy by countries like Canada at the margin of empire. The *Task Force Report* **was followed in due course by the** *Gray Report*[13]**, impressive in the detail of its diagnosis and its prescription, and bearing the name of an actual Cabinet Minister, Herb Gray; by the creation of the Foreign Investment Review Agency and the Canada Development Corporation when Mr. Trudeau was pushed into a minority government position in the early 1970s and had to rely on the NDP for support; and in Mr. Trudeau's second coming in the 1980s, by the National Energy Program and its provisions for Canadianizing the oil and gas industry. Briefly, it looked like the** *Task Force Report* **had a legacy.**

It was not to be. Stephen Clarkson documents the fullness of the retreat by the Trudeau government in the face of Reaganomics that became a rout with the Mulroney government.[14] FIRA did little; re-named Investment Canada it now shills for foreign investment. The Canadian government bought wholly into the neo-conservative "competitiveness" model where the object of the exercise is to create a climate conducive to foreign capital. Traditional economic nationalism has been stood on its head.

Regulation of foreign direct investment never had the support of Canadian business, which has a long history of subservience to imperial and particularly American business. The creation of the Business Council of National Issues in the 1970s, with the big branch plants all there, silenced any lingering nationalist voices among Canadian big business. As well, rapidly increasing Canadian direct investment in the US gave Canadian capital an increasing interest in continentalism. Foreign ownership polices had the support of Canadian labour and other social movements but they were too weak to get their way.

From a nationalist perspective, the whole story is clearly a bit of a downer. This year being the centenary of the birth of Harold Innis, we should recall that he saw the fate of the intellectual as having insight into much and power over nothing. These times are not the end of history and the issue of foreign ownership, of the power of transnational capital to escape national control, lives on. Orthodox economics remains of slight help, but there is a heady revival of Canadian political economy focused precisely on the issue of foreign ownership;[15] as well, there has emerged outside Canada -- and inside, notably in the writings of Robert Cox -- an International Political Economy that insists on the importance of the transnational corporation as an actor. These two schools are brought together very effectively in Barbara Jenkins' recent *The Paradox of Continental Production: National Investment Policies in North America.*

There is, too, the fascinating spectacle of the 1991 report on the Canadian economy by *(US economist)* Michael Porter of the Harvard Business School that is remarkably similar to a political economist's description: the abnormal bias toward the export of unprocessed resources, the high and increasing reliance on the US market and, above all for present purposes, the high level of foreign ownership and the tendency of subsidiaries not to be world-class performers.[16] Porter insists that Canadian policy should be directed toward transforming foreign subsidiaries into more autonomous and efficient "home bases." Predictably, in a report done for the Business Council on National Issues and the Mulroney government, the manner in which this should be made to happen has a neo-conservative cast with an excess of predictable but dubious "competitiveness" policies, but the grasp of the nature of the Canadian economy is sound and permits of other solutions that might once upon a time have been labeled nationalist.

If foreign ownership is seen as a relevant issue for Canada from the ivory towers of both MIT and Harvard, perhaps it will even come again to be so seen in Canada. For the moment, it is strikingly absent from the thinking of the new Liberal government: having accepted NAFTA there is not a hint of economic nationalism in its agenda. **It is even backing away from a firm stand on cultural nationalism, specifically the issue of Canadian ownership of book publishing, the only area of nationalist concern where the Mulroney government maintained the semblance of a policy. But there is the nagging question of why unemployment is so high in Canada, particularly relative to the US even as the economy is linked ever more closely to the American. Could it be that there are structural deficiencies, including that inefficient and withering branch plant economy?**

The market mentality reigns supreme and is highly corrosive of any sentiment of economic nationalism. Still, there are limits. Fifty years ago, Karl Polanyi wrote that the idea of a "self-regulating market" is "stark Utopia."[17] Some regulation of capital, some constraints on its "freedom" in order to limit chaos, is in the

interest even of capital. To abandon control of capital is to abandon politics, and to abandon politics is to risk a dystopia. The American commentator James Fallows wrote recently: "It is precisely the internationalization of the economy that makes national strategies more important. Because not everything moves across borders as easily as currency-futures do, governments may need to pay more attention to the welfare of 'Japan' and 'France' and 'Canada' than most people realize."[18] My colleague Abraham Rotstein, writing in the Polanyi tradition, saw Canadian economic nationalism back in the 1960s as an understandable response to the impact of transnational capital.[19] The only amendment that is in order in the new era of the NAFTA -- albeit a most important one for present purposes -- is that those who wish to tame the multinational corporation need to operate continentally as well as nationally.

Within Canada, Canadian Studies has served the useful function of a refuge from the orthodox disciplines and their persistent tendency to denigrate nationalism. It has aided intellectually in what Innis once described as the need for "taking persistent action at strategic points against American imperialism in all its attractive guises."[30] It might be hoped that an interest in Mexico in matters Canadian -- which is being matched by a fresh interest in Mexican matters in Canada -- will increase the awareness by scholars in both countries of our shared dependency and will lead to fresh perspectives on "North America," even to reflections on a new "continentalism" that transcends the present state-corporate version.

N O T E S

1 Canada, Privy Council Office, *Foreign Ownership and the Structure of Canadian Industry: Report of the Task Force on the Structure of Canadian Industry* (Ottawa, 1968).

2 "According to deputy treasury secretary Roger Altman, Canada has the distinction of having more of its assets owned by foreigners than any other member of the G-7 industrial nations. Altman was attacking Japan for keeping out foreigners ... The foreign-owned share of total domestic assets in Japan is below 1 %, he said. That compares with 9% in Germany and 26% in Canada" *{FinancialPost,* 12 March 1994).

3 Kari Levitt, *Silent Surrender: The Multinational Corporation in Canada* (1970).

4 See his memoirs *Which Reminds Me ...* (1993)

5 See George Grant, *Lament for a Nation* (1965).

6 Cited in Walter Gordon, *A Political Memoir* (1977).

7 Barbara Jenkins, "Reexamining the 'obsolescing bargain': a study of Canada's National Energy Program," *International Organization* (Winter 1986).

8 David Crane, *Toronto Star* (November 26, 1991).

9 Comments by Alan Nymark of Investment Canada at the University of Toronto, March 1994.

10 See David Crane, *The Next Canadian Century: Building a Competitive Economy*(1992)

11 "Head office flexes its might: Branch plants losing clout," *Globe & Mail* (18 January 1994).

12 Lester Thurow, *Head to Head: The Coming Economic Battle Among Japan, Europe and America* (1993).

13 Canada, *Foreign Direct Investment in Canada* (1972).

14 Stephen Clarkson, *Canada and the Reagan Challenge: Crisis in the Canadian-American Relationship* (1982).

15 To mention only the highlights, Levitt's book was followed by the formulation of the so-called Naylor-Clement thesis showing how the Canadian business class had willingly formed an unequal alliance with the

American business class, and later by Gordon Laxer who implicated the broader Canadian civil society in the takeover. See Wallace Clement, *Continental Corporate Power: Economic Elite Linkages between Canada and the United States* (Toronto: McClelland and Stewart, 1977); R.T. Naylor, *The History of Canadian Business, 1867-1914,* 2 vols., (Toronto: McClelland and Stewart, 1975); and Gordon Laxer, *Open for Business: The Roots of Foreign Ownership in Canada* (Toronto: Oxford University Press, 1989).

16 Michael E. Porter and the Monitor Company, *Canada at the Crossroads: The Reality of a New Competitive Environment* (1991).

17 Karl Polanyi, *The Great Transformation* (1944).

18 James Fallows, *New York Review of Books* (March 1, 1990).

19 Abraham Rotstein, *The Precarious Homestead: Essays on Economics, Technology and Nationalism* (1973).

20 Harold Innis, *Changing Concepts of Time* (1952), 20.

STAPLES AND BEYOND
Selected Writings of Mel Watkins (2006)
Edited by Hugh Grant and David Wolfe

CHAPTER 10
The Car and Canadian Political Economy: An Innisian Perspective (1994)

This paper is based on a paper presented at a conference on "Cars and Continentalism" held at University College, University of Toronto, May 1994.

(All emphasis by the Web Ed.)
(This chapter relates the case history of the failure of the 'native' Canadian capitalist class to successfully carry outs its historical task of creating an independent economy and truly sovereign State – Web Ed.)

It has been said of Britain that it is more likely to have a biography of a minor poet than of a major politician. It could be said of Canada that it is more likely to have a history of almost anything than of an industry, even a major industry. We have more labour history than history of industries where labour works; indeed, what industrial history we have is frequently written by labour historians who have first to establish the credentials of the protagonist. Canadian working people, notwithstanding the pervasive influence of American unionism until very recently, evidently make more history than do Canadian business people. We also have industrial history written as incidental to tariff history, perhaps reflecting that Canadians, arguably, have been more innovative with respect to tariffs than with respect to industry. **Now that the US-Canada Free Trade Agreement (FTA), the North American Free Trade Agreement (NAFTA), and the World Trade Organization (WTO), tightly tied Canada's hands with respect to tariff-making, this way of writing industrial history (for whatever industry remains) will presumably disappear.**

It should come as no surprise, then, that we do not have a comprehensive history of the Canadian automobile industry. In Michael Bliss' history of Canadian business, we are told, **"The literature on the coming of the automobile to Canada is thoroughly inadequate" (though the auto industry has long been the largest secondary manufacturing industry in Canada), and "Nothing of importance has been written on the McLaughlins and General Motors of Canada" (though the latter has long been Canada's largest company).**[1] Bliss thinks it is unnecessary to tell us why, and it has not deterred him from writing a huge book, but it is, of course, a side effect of foreign ownership. **Earlier this year, the** *(British magazine) Economist* **headlined an editorial "The day of the national car is over"; for Canada, it was over before it began. Headquarters have always been somewhere else, at least for the real decisions.**

This paper attempts to transcend these inherent limitations by appeal to the insights of the late Harold Innis who profoundly understood that Canada was a margin and wrote serious history in spite of that.

Transportation was a major theme in Innis' historical writing, beginning with his doctoral thesis on the Canadian Pacific Railway.[2] The Conclusion begins, "The history of the Canadian Pacific Railway is primarily the spread of western civilization over the northern half of the North American continent"; for the history of the automotive industry in Canada, one could simply amend that to read "the spread of American civilization." In contrast to the conventional view of myself and others, John Watson writes, in his superb thesis on Innis, "By 1929, Innis had worked out a coherent sketch of Canadian economic development which revolved not so much around staples as around transportation systems."[3] Similarly, Graeme Patterson cites Innis's *Empire and Communications* to show that "it was waterways [transportation], not pulp and paper [the staple, as is usually alleged], that directly led to the late work."[4]J.B. Brebner, commenting on *Empire and Communications* in a 1950 letter to Innis, thought "your terminus is probably 'Power and Communications,' including transportation." While there is no evidence that Innis was moving in this direction, "Empire and Transportation" would not be a bad title for an Innisian study of the car.[5]

(PART) I

Innis was concerned with how particular activities had such pervasive impacts that society seemed virtually to be organized around them. Automobiles themselves were too contemporary to merit more than passing reference from Innis as historian, but he would perhaps have appreciated the considerable literature, scholarly and popular, that sees the automobile as hegemonic in much of the twentieth century. With respect to the labour process, the prevailing mode of regulation of much of this century is labelled "Ford-ism," incorporating, and hence transcending, both such potent "isms" as Taylorism and Keynesianism. Ford itself is still the third largest industrial concern in the world, being outranked by General Motors (which is first) and by Exxon, which supplies the gas for the cars, in second place. Womack and his collaborators call their book on the automobile *The Machine that Changed the World,* and argue that it did so not just once -- with Henry Ford and Alfred Sloan, whose genius was in segmenting the vehicle market -- but a second time, with Eiji Toyoda and Taiichi Ohno at Toyota after World War II.[6] ***For John Kenneth Galbraith, the great dissident economist and the successor to Thorstein Veblen who Innis so much admired, the automobile is arguably the dominant object of "the affluent society" and the auto industry the archetype of "the new industrial state."***[7] In each of the three great markets of the world -- North America, Europe and East Asia (centred on Japan) -- purchases of cars and trucks account for about 15 per cent of personal consumption, while a recent report of the US-based Natural Resources Defense Council calculates total car-associated costs, which it calls the "price of mobility," as 25 per cent of GNP.[8]

A powerful technology like the car creates a support system that adds to its momentum. Alexander Wilson," in his superb book *The Culture of Nature,* writes with respect to the US: "The highways encouraged car acquisition and use, the cars in turn consumed more gas, and the tax on the gas ensured the construction of more highways. The interstate highways, completed in the mid-1980s, amounted to a massive government subsidy to the auto industry and its many dependents, including tourism."[9] Car purchases were central to the boom of the 1920s and then the 1950s and 1960s, while in down times like

the 1930s road construction was a favoured anti-cyclical instrument. Paving, and repaving, roads remains a customary pre-election activity down to the present manic activity here in Ontario in preparation for the provincial election.

In the Canadian context, and in deference to the staples approach, the automobile industry is as important to the economy of southern Ontario (Canada's Michigan) as any commodity is to any province. Likewise, since the auto industry is the leading example of what Quebec has not got its fair share of within Canada, Ontarians fear, or ought to, that if Quebec separates the auto industry will be up for grabs. Significantly too, provincial New Democrats have long lived off the promise to bring auto insurance under public ownership and have done so in Manitoba, Saskatchewan and British Columbia. In 1948, the Ontario CCF promised to do so in its first term. **Years later Robin Sears, a senior official of the Ontario NDP, admitted that European socialists ridiculed him for the NDP's gung-ho approach to public auto insurance, mocking that the party was certainly not going after the commanding heights of the economy. Sears defended it by saying they did not understand the importance of the automobile in North American's independent lifestyle.[10] He had a point; it is a sign of the extraordinary caution of the NDP government that was finally elected in Ontario in 1990 that it reneged on this commitment.**

A creative concern of Innis -- that provides the key to the impact of the car on the political economy of Canada -- was with respect to regionalism. In 1931 he wrote, "The extension of the American empire, the decline of its natural resources, and the emergence of metropolitan areas, supported capitalist expansion in Canada and reinforced the trend to regionalism ... The pull to the north and south has tended to become stronger in contrast to the pull east and west."[11] The automobile is critical to the powerful nexus of continental economic integration and Canadian political disintegration on which Innis was so prescient. In the Foreword to the aptly titled book on the Canadian auto industry, *Driving Continentally,* Murray Smith makes the straightforward present-day point that **"The automotive sector is the bellwether of North American economic integration under NAFTA;" indeed, it is already the most continentally-integrated of any sector.[12]**

The writer since Innis who is most concerned with the symbiotic relationship between continentalism and regionalism is Garth Stevenson; it is not coincidental that he has also written extensively on transportation. **"Canada's history and its national identity, more than those of any other political community in the world, have been associated with the development of transportation and communications."** He adds with respect to the present times: "Canada's most important mode of transportation is highway transportation."[13] In sharp contrast to the east-west bias of the railway and the pervasive presence of the federal government, the pull of highways was north-south and the relevant government that of each province. Canada's first modern, limited-access highway, the Queen Elizabeth Way (QEW), built in the 1930s, ran from Toronto to Fort Erie, meaning Buffalo. (The inaugural flight of TransCanada Airlines in 1937 was from Vancouver to Seattle.) In contrast with most other modes of transportation and communication, "the provinces own and maintain the highways, which by a curious legal fiction are assumed to end and begin at each provincial boundary."[14] The paved TransCanada Highway was hot

authorized until 1949; Quebec stayed out under Duplessis because of opposition to federal grants with strings attached, and it was not completed until 1962, well after the transcontinental connection by air (1939), pipeline (1958) and TV microwave (1958).

Though roads like Dundas Street were originally built for military reasons, to secure a line of communications away from the American border that would not be vulnerable to American attack,[15] the long-run consequences have been of the continentalist cast.

Innis' concerns and concepts remain highly relevant to the contemporary world and contemporary scholarship. He was a political economist, and then and now that means that institutions (such as the state, corporations and trade unions) matter as well as the market; they are not, as orthodox economists imply with respect to the first and third, merely inertial. He most certainly believed that the temporal, historical dimension was relevant. The old political economy with its emphasis on staples and transportation laid the basis for the new political economy of the post-i96os with its emphasis on dependent industrialization and matters of class and gender.

***T*he Canadian auto industry is, in the words of James Laxer, "the classic case of branch plant industrialism;"[16] indeed, it is a highly successful example thereof, yielding both the benefits of high-wage jobs and the costs of a truncated structure. The recent *Porter Report,* bearing the imprimatur of both the Business Council on National Issues and the then Conservative Government of Canada, spells out the latter:**

["] General Motors of Canada is Canada's largest exporter [Ford is second and Chrysler third], but strategy development and most home based activities such as design and engineering are carried out in the United States. Supporting industries to the Canadian transportation cluster, such as batteries ... and tires ... are also heavily foreign-owned and foreign home-based. Although the automotive assembly industry contributes greatly to the Canadian economy, the lack of home bases in Canada means that Canada reaps fewer direct and indirect advantages from the presence of those industries than would otherwise be the case. The lack of Canadian home bases also creates vulnerability as trade becomes more open.["][17]

Studies done by the government itself show that in the auto industry "virtually no research and development is done in Canada," while in the parts industry Canadian-owned firms that accounted for just 17 per cent of shipments performed 46 per cent of the research.[18]

Canada is the only member of the G-7 not to have developed an indigenous car (something that even lesser economies like Sweden and South Korea have done), yet Canada is a member of the G-7. It has an imported, dependent auto industry, but a quantitatively large one that is finally efficient relative at least to the US parent country. The latter owes much to the Auto Pact, but its very success may have (falsely) encouraged a move to free trade that may be gravely threatening to both Canada's industrial future and its political future. A manufacturing sector has emerged with difficulty around the staples sectors of the Canadian economy in some part through conscious state policy of an

interventionist kind; there is a distinct risk that free trade will undermine manufacturing and result in a reversion to a more staples-biased economy. Ontario's leading export to an industrially stagnant Britain is white beans, while two mainstream writers have recently reminded us that "Although Mexico is a newly industrialized country, it sells a higher percentage of fully manufactured goods to Canada (69 per cent) than Canada exports to it (24 per cent).[19] ***There is, following Innis, much to be learned about Canada from the careful contemplation of the car, including the failure of Canada to produce one.***

(PART) II

Let us reflect briefly on what historical record there is of the industry in Canada. When Henry Ford developed his mass-production methods, the US quickly vaulted past France into first place among the world's automobile producers and stayed there until Japan passed it the 1980s.[20] The sixth Ford built was sold in Canada.

When the Canadian tariff on carriages was extended to cars, US automakers established assembly operations in Canada.[21] The initiative for the transplants came from Canadian carriage makers, Gordon MacGregor in the case of Ford and R.S. McLaughlin for General Motors. They were not bought out and taken over or persuaded to become comprador, they made the advance. (In the search for a name for the new Toronto NBA *(pro basketball --ed.)* **franchise, "Toronto Compradors" was somehow overlooked.)** *("Comprador:" agent of foreign capitalists --ed.)* ***T*****he key was patents, access to technology and technique, and what began as licensing and joint ventures did not progress along a learning curve to independent Canadian operations but regressed to wholly-owned, branch-plant, subsidiaries.[22]**

British imperial preference arrangements gave Canadian-based companies an advantage over American-based companies and enabled the former to reap economies of scale by extending effective protection for the export trade.[23] In the interstices of empire, manoeuvring within the North Atlantic Triangle, Canada was that privileged part of the American empire where manufacturers, regardless of nationality, had special access to the markets of the British Empire. Where the British Empire market (albeit excluding Britain itself which warranted its own American operations) was insufficient, Ford allocated the Latin American market to its Canadian subsidiary; as well, Ford subsidiaries in the further reaches of the British Empire, like South Africa and British Malaysia, were owned and controlled through the Canadian subsidiary. By 1913, Ford's Walkerville factory turned out more cars than any plant in the British Empire, including England. Forty per cent of the cars were exported, two to three times as many as did Ford US.[24]

So it was that by 1920, with the further boost to the industry from producing for the world's first mechanized war, Canada was second in the world to the US as a vehicle producer simply by assembling American cars. But Canada, as an affluent, sparsely-settled North American society, was

also second in the world (again, to the US) in per capita car ownership and, in spite of its small population, third in ownership (with Britain second) in absolute terms.[25] This should dispose of the simplistic argument, frequently encountered in the popular literature, that Canada failed to develop an indigenous industry because the Canadian market was too small; Canada remains second in per capita ownership but has slipped to sixth or seventh place among vehicle producers. The reality was that no Canadian car could survive in the face of branch-plant competition from Ford, GM, Chrysler, Studebaker and others; Canadian manufacturers tried to cater to the high-priced luxury market but could not hold even this niche, CCM (which sold that sixth Ford) made the Russell, a fairly popular choice until 1916 when it disappeared with the merger between CCM's Russell Motor Car Company and Willy-Overland Sales. By 1926, the only car made in Canada that was not also made in the US had the dubious distinction of being the only Canadian-made car propelled by steam; output of the Brooks Steamer was one car a day.

From an early date, therefore, the Canadian industry was a miniature replica of the American. It boasted many of the same models and American cars made in Canada conformed strongly to American standards (though heavy-duty shock absorbers were developed in Canada for use on the bad roads in the West). There was some effort to restyle models for the Canadian market, but the differences were superficial. The Buick was first marketed in Canada as the "McLaughlin," but in advertisements "McLaughlin" kept shrinking and "Buick" growing until only "Buick" remained. There are after all, scale economies, in this case spillovers, in advertising as well. In 1906, advertisements appeared in *Canadian Motor* for "Canadian-made Oldsmobiles"; the pitch was for jobs.[26]

The Canadian model of dependent industrialization reached its zenith in 1929. It had inherent limitations. With the historic exception of Ford, the Canadian industry was biased towards assembly rather than comprehensive parts production (the Canadian tariff on most parts was lower than on completed cars). Moreover, foreign ownership in cars led to foreign ownership in associated industries; "Firestone Tire and Rubber, B.F. Goodrich and Company, Goodyear Tire and Rubber, Seiberling, and US Rubber all followed the big three automakers into Canada."[27] As a result, jobs were fewer and were excessively of the semi-skilled or unskilled variety, while the head offices of the Canadian subsidiaries were more like regional offices for the Canadian operations with managers having limited, if any, input on key parent-company decisions.[28] In spite of its ability to export, the multiplication of models that may already have been excessive in terms of efficiency even for the large American market (that certainly became the case later with the built-in obsolescence of frequent model changes), meant considerably higher prices for Canadian than Americans for virtually identical cars.[29]

This fed popular resentment against the tariff despite the fact that even at its peak in the mid-1920s, the Canadian tariff of 35 per cent was "quite moderate" by international standards, below the US and France at 45 per cent, and virtually the same as the 33 1/3 per cent of traditionally low-tariff Britain.[30] **By 1926 anti-tariff sentiment, particularly in western Canada, had built to the point that the Mackenzie King government cut the tariff to 20 per cent, making it one of the lowest in the world. It simultaneously,**

however, bowed to rising nationalist sentiment that wanted more made-in-Canada commodities, and brought in tough Canadian-content rules; companies that produced or purchased 50 per cent of the value of their finished automobiles within Canada would get a 25 per cent drawback on all duties paid on imported parts and materials.[31] This was a clever combination of managed trade, rather than free trade in the literal sense, that culminated in the later Auto Pact. The automakers were fiercely opposed and threatened shutdowns, but the Canadian location still gave preferred access to imperial markets. King further placated their concerns by repealing the excise tax on cars that met Canadian content regulations, thereby increasing effective protection while permitting a further cut in prices.

Traves offers insight on the power, or surprising lack thereof, of foreign capital: "The principal auto manufacturers were isolated from the major centres of political power. In Canada, the auto industry developed on reinvested profits, not bank loans or stock flotations, and politically powerful financiers, brokers and bankers had no significant political stake in its fortunes."[32] Naylor and Clement argue that Canadian industry is weakened by the dominance of Canadian financial capital but it is even weaker when it fails to forge any substantial links. King held the car manufacturers "in very low regard"; in his diary in 1923 he described them as "the hardest looking lot of manufacturers' promoters I have seen, a genuinely brute force gang from Ford's and other concerns."[33] While imports increased dramatically, prices fell, parts makers did not suffer and, by 1928, all of the Canadian car makers had qualified for duty drawbacks. **During the first two years of the Depression, four of the leading American exporters during the 1920s - Nash, Hudson, Graham-Paige and Packard -- established assembly operations in Canada. Traves concludes: "The 'Canadianization' program begun in 1926 thus achieved a significant success within just a few years of its adoption."[34] It is an instructive story of how popular pressure and government innovation triumphed over big business to the benefit of Canadian consumers and workers.**

In the 1930s, as production sagged badly, Canadian plants turned out only between 4 and 5 per cent of cars and trucks produced in North America.[35] Trade agreements of 1932 gave Britain duty-free access to the Canadian automobile market, a provision that was to facilitate rising imports into Canada in the postwar years. The Canada-US Trade Agreement of 1936 reduced the tariff on cars to 27.5 per cent but increased Canadian- (or Empire-) content to 60 per cent. Studebaker, Hudson and Packard, the low-volume producers, ceased production and reverted to exporting to Canada.[36] But when auto plants were to convert to wartime production, surplus capacity disappeared, plants expanded and employment doubled.

In the immediate postwar years, pent-up Canadian demand camouflaged the serious loss of export markets as other countries adopted the Canadian-style import-substitution model. Dykes, in a popular treatment of the industry, writes: "most nations look on the automotive industry as a symbol of maturity" with no implication that he is thereby damning Canada with faint praise.[37] The record level of production of 1929 was broken in 1948, but in 1949 Canada was a net importer of passenger cars for the first time since 1914, a status that was to be matched by the US in 1957 (the same year that Ford introduced the Edsel!)[38] The United Kingdom took over second position as world producer immediately after the war; in the 1950s, France, Germany and Italy passed Canada, and in i960, Japan. The heyday of the North American industry

was over and Canada, as an exposed appendage of the American complex, felt the crisis first.

(P A R T) I I I

By the early 1960s, the growing trade imbalance in cars exacerbated Canada's current account deficits, there were fewer jobs than there might have been, prices were 10 per cent higher than in the United States and wages were 30 per cent lower. Whatever the alleged benefits of foreign ownership, in this most foreign-owned of Canadian industries, things were not working and threatened to give foreign ownership a bad name. The combination of foreign ownership and the tariff had culminated in a crisis; if foreign ownership was not to go then the tariff had to and there were even mainstream economists prepared to advocate this.[39] But no government with a social conscience or a desire to be reelected could contemplate free trade without assurances as to what would survive by way of an auto industry in Canada. Free trade had been tried in agricultural implements since 1944 and a once thriving industry had subsequently grown more slowly than its American counterpart in spite of having strong indigenous firms.[40]

The Diefenbaker Government had no choice but to act, if necessary unilaterally; it established the Royal Commission on the Automotive Industry, under the leadership of University of Toronto economist Vincent Bladen, to consider the future of the industry. ***There were really only two choices: either continental rationalization to achieve economies of scale and with exports offsetting imports; or more efficient production within Canada market by reducing the number of models and, perhaps, even producing an all-Canadian car. Faced with only these two possibilities, the American automakers obviously would accept only the first; but either unable or unwilling themselves to resolve the crisis in the Canadian industry, the United Autoworkers (UAW) played a larger role than one might at first sight have imagined. Yates makes the point that in postwar Canada "each sector of the economy had its own form of regulation;"[41] perhaps, paradoxically, the union can play a larger role in finding a solution when the sector is foreign-owned and the national or Canadian interest eludes business and governments.***

Canadian autoworkers, like their American counterparts, organized in the 1930s and, consistent with the tendency of Canadian unionists to belong to American-based unions, ended up in the UAW. More so than in most industries, this made a certain sense given the overwhelming presence of American-based firms. The Canadian UAW supported the continental rationalization option with the hope that higher productivity would lead to wage parity; so did the UAW in the US in order to prevent jobs from moving to Canada.[42] ***Within the Canadian UAW, the Left Caucus pushed the nationalist option but in the climate of the Cold War was unable to mount a challenge to the union's leadership.[43] The nationalist option was also supported by independent parts manufacturers and the social democratic Government of Saskatchewan. The latter's brief to the Bladen Commission asked that "the industry give consideration to the production of a Canadian automobile, an automobile that would be more utilitarian, less subject to model changes, easier to repair and less expensive than the recent American mode."[44] It is poignant description of what is not a choice from multinational capital. Bladen***

was an old-fashioned economist who understood the argument, but wrote that we "must accept some features of the industry in the United States, such as the multiplicity of models and the frequency of model changes."[45]

Bladen shrewdly rejected both free trade and high protection and put forward an imaginative "extended content" provision whereby companies could earn duty-free entry of imports (mostly parts) by exporting (mostly assembled vehicles). He was impressed by the extent of scale economies: "if Canadian vehicle manufacturers were to adopt one type of automatic transmission for all models, the production of this part in Canada would not permit economies of scale such as now are obtained by a single United States producer of automatic transmissions."[46] But no action was taken on Bladen's proposals other than removing the excise tax, a belated recognition that the car was not a luxury.

The new Liberal government was sufficiently exercised about the state of Canadian industry in general that it created a new Department of Industry. It is a sign of how dependent the Canadian economy had become on the American, how irreversible that was, how non-viable the nationalist alternative already was, that even the greatest nationalist, Walter Gordon, reluctantly supported continental rationalization in the auto industry. "I did not like this [continental rationalization] in principle, but as three companies dominated the industry on both sides of the border, this acceptance merely acknowledged the existing fact."[47] More than that, to Gordon's intense unhappiness, he later had to agree to exempt *Time* **and** *Readers Digest* **from proposed legislation on Canadian ownership of magazines because of concern that otherwise Henry Luce, the publisher of** *Time***, might try to sabotage the Auto Pact. All in all, a depressing story about how dependency breeds dependency.**

If the die was firmly cast within Canada for continental rationalization, the key was to convince Washington. With respect to the negotiations that culminated in the Auto Pact, Carl Beigie writes: "it became clear that the highest levels of administration in the US government attached a great importance to a successful conclusion. US officials realized that Canada was determined to do something about the poor prospects for its automotive industry."[48] Stephen Clarkson adds: "When Lester Pearson sent peacekeeping troops to Cyprus in response to Lyndon Johnson's request, Johnson supported the Auto Pact in Congress as an exchange of favours."[49] The Pact included both an intergovernmental agreement and the companies spelling out the safeguards for Canada; it is not a figment of the Left's imagination that companies rank with countries -- for some companies and some countries.

If the Auto Pact resolved the crisis that gripped the Canadian auto industry in the early 1960s, it did so by accentuating both the benefits and the costs of dependent industrialization. The intent of the safeguards was to increase Canadian production to more closely match Canadian consumption; but in fact, two-way trade flows increased dramatically (24-fold in 20 years) making the Canadian industry dependent on the American market rather than the Canadian market.[50] Prices fell in Canada, employment stabilized (as labour-shedding from increased efficiency was offset by increased demand from expanding production) and wages rose to nominal parity (the Canadian dollar was valued below the American dollar). But management and R&D functions were further centralized under the Pact to Canada's disadvantage and

lower relative wages in Canada attracted a disproportionate share of the labour-intensive portion of the industry.[51] After twenty years of the Pact, two orthodox economists told us: "While Canadians are not hewers of wood and drawers of water, we are 'assemblers' of cars - a relatively low-skilled activity in which we compete with Korea, Taiwan and Brazil. Mexico produces more engines than does Canada ... All is not well in auto land."[52]

That the Auto Pact worked to Canada's advantage was certainly the American perception. Lyndon Johnson told Charles Ritchie, Canada's Ambassador to Washington, at the outset, "ooh, those Canadians. They got an Auto Pact and they're screwing us on that."[53] The US position was that the safeguards for Canada were transitional but even the notoriously pro-American, pro-free trade Canadian-American Committee was leery of that argument. **There was too much discussion, it felt, of the balance of trade (which had moved in Canada's favour) and not enough of the balance of payments which took account of the remission of profits to the US. It asked, "Is there, as some Canadians contend, a southward migration of managerial and professional personnel out of the Canadian automotive industry as a result of the Agreement?"[54] US displeasure was such that in 1971, when its troubles led it to impose a temporary import surcharge, "President Nixon was on the point of abrogating the whole pact -- only being dissuaded from such a drastic step by an impassioned intervention from the State Department an hour before the fatal step was to be taken."[55] But the Nixon administration did bring in the DISC (Domestic International Sales Corporations) program which created a tax advantage-for producing in the US, and investments by automakers in Canada fell off sharply.[56]**

By the late 1970s there were mounting deficits again in auto trade, and during the interlude of the Clark government, Trudeau committed the Liberals "to renegotiate the Auto Pact's disastrous imbalances." But as Clarkson documents so well, that was not to be. The rejuvenated Trudeau government brought in the National Energy Program and talked of NEPs in other sectors, but the election of the Reagan administration decisively ended the detente of the 1970s that had given countries like Canada at the margin a little room for manoeuvre. Fearing, excessively fearing, US protectionism, Canada tried to negotiate more sectoral arrangements, more Auto Pacts, with the US. The US was not receptive and with the election of the neo-conservative and highly pro-American Mulroney government in 1984, Canada moved to negotiating across-the-board free trade.

(PART) IV

During the negotiations of the FTA, Canada kept insisting that the Auto Pact was not on the table but it was and to Canada's detriment. The reality for some time had been that the North American industry was losing out to Japanese and then South Korean producers. In the early 1980s, the US responded to this unilaterally by negotiating voluntary restrictions on Japanese exports that encouraged Japanese companies to set up operations in the US. Canada moved tentatively in that direction with a production-based duty-remission scheme designed to encourage transplants in Canada.[57] **But a concerted effort, led by the CAW**

(which had broken from the UAW by 1988 to become an independent union --ed.) **and parts manufacturers, to extend Auto Pact provisions fully to the offshore producers came to naught with the election of the Mulroney government and the triumph of the ideology of deregulation over the national interest.[58] The FTA forbade Canada from extending the Auto Pact to offshore producers (other than GM's CAMI joint venture with Suzuki), phased out the duty remission scheme and precluded conditional subsidies to non-American automakers locating production in Canada.** In effect, there is now a two-tier industry with American companies facing Canadian safeguards that are not applicable to the offshore producers.[59] The consequences for employment are disastrous: "If we compare the number of jobs provided by the North American-based companies relative to their sales with that provided by the major Japanese-based companies (Toyota, Honda, Nissan and Mazda), we find that the former provides ten times as many jobs *(as the Japanese companies --ed.)*... If GM, Ford and Chrysler only had the same *(lack of --ed.)* commitment to Canada as the Japanese multinationals, we would have 60,000 fewer jobs (even fewer if we included the parts manufacturing jobs). "[60]

Of course, the Auto Pact was not free trade per se, but managed trade, a critical distinction that was blurred during the great free trade debate of 1988. Grant Devine, the far-right and vehemently pro-free trade Premier of Alberta, went to Oshawa, the home of GM Canada, to declare that all of Canada would now get the alleged benefits of free trade which Ontario reaped from the Auto Pact. **Ironically, what the FTA did was undermine the safeguards of the pact, since the duties which the companies had to pay as penalties for nonperformance disappeared. Canadian-content rules -- anathema to free traders -- were replaced by North American content rules, with the problem for Canada that if the US plays hard ball, there is a risk that North American content *de jure* will be reduced to American content *de facto.* The North American industry was "protected" relative to the offshore producers but at a loss of protection for the Canadian segment. Canada is into a new variant of "imperial preference" with none of the promise of the first. Canadian nationalists who have always seen the Pact as a second-best -- is the "managed trade" of the Pact(,) economic nationalism or managed continentalism? -- are** (we) **compelled to rally to its defence and mostly fail in that effort**.(?)

NAFTA has only made the situation worse. Canadian production -- including Canadian-owned parts manufacturing -- can now shift to either the lower wage, less unionized states of the American south or to much lower wage Mexico. North American-content is increased from 50 to 62.5 per cent but there remains no Canadian-content rule and Mexican production has now to be included. After one cuts through the propaganda of governments and neo-classical economists, commentators see Canada as having "lots to lose, little to gain," particularly in parts production.[61] Still, they may be prone to take too seriously the neo-conservative version of the "competitiveness" model; in so far as public health insurance and good highways for just-in-time production are determinants of investment in the auto industry, Canada has an advantage which it is likely to retain.[62] Absenteeism is less in Canadian plants, and quality of production, as well as the return on investment "higher -- or so the union has claimed in the past."[63] With the new flexible-production technology, GM has moved towards a regional production complex in southern Ontario.

Holmes argues that "The return to a more national alignment of assembly and parts manufacturing is felt necessarily to reduce vulnerability to outside forces" and he adds that "One source of such vulnerability is the split in the union."[64] ***That Canadian autoworkers belonged to an American union seemed logical under continental-rationalization model of the Auto Pact; but as Sam Ginden observes (from the inside), "However much Canadian auto workers were integrated in the continental economy, they were still part of a different social formation."[65] The weakening of the American labour movement relative to the Canadian labour movement and a growing sense of Canadian nationalism -- in combination with the move to post-Fordist production -- led to the split, and from that came the CAW that has played a catalytic role in energizing and restructuring the Canadian labour movement. Strong unions, and progressive governments that invest in physical and social infrastructure — if Canada can maintain them in the face of the powerful harmonizing effects of free trade -- can be an advantage.*** Yates writes of "Canada's continued preference as a good site for building cars" and adds, "although it is impossible to predict the CAW's success or failure in influencing the emergent mode of regulation, it is possible to state with certainty that any new regime, in contrast to the Fordist experience, will be 'made in Canada.'"[66] To reiterate a point made earlier, Canadian workers apparently make more history than Canadian businesses.

(PART) V
(...)

If McLuhan is right, that each technology like the automobile is an extension of the human personality, then we research ourselves each time we drive, or even try to cross the street. When Canadians do so, there is cause to reflect not only upon our personal experience but also upon our industrial history and our economic relationship with the United States. ***The growth of the Canadian automotive industry was initially related to Canada's skilful exploitation of imperial preference arrangements and the development of Canadian-content rules which in due course culminated in the ingenious Auto Pact arrangement of the mid-sixties. In the face of the FTA and NAFTA, it has largely fallen upon Canadian autoworkers to defend the national interest in the industry*** *[i.e., the "national" production quotas of the US auto giants in Canada -- Ed.]* Even more so, the automobile has been a pervasive force in the continental rationalization of the North American economy generally, and with (it) has come American cultural baggage and a tendency to political disintegration within Canada. Whether or not working people have the capacity to resist this occurrence is a question for more sombre reflection *[here the author apparently confuses a key element of the workers' hard-won 'standard-of-living -- the release from alienation afforded by the individual 'freedom' of the automobile -- with the broader crisis of working-class politics, such as the lack of identification of workers' interests in the NDP and near total absence of meaningful mass political participation in this 'labor party' -- what he correctly calls 'political disintegration' --Web Ed.]*

N O T E S (S e l e c t i o n)

1 Michael Bliss, *Northern Enterprise: Five Centuries of Canadian Business* (Toronto: McClelland and Stewart, 1987), 604. Charlotte Yates' book on autoworkers, *From Plant to Politics: The Autoworkers Union in Postwar Canada* (Philadelphia: Temple University Press, 1993), is much better than anything written about the auto industry in Canada. Tom Traves' chapter on "The political economy of the automobile tariff in *The State and Enterprise: Canadian Manufacturers and the Federal Government, 1917-1931* (Toronto: University of Toronto Press, 1979) is the best that

we have produced on the automobile tariff.

2. H.A. Innis, *A History of the Canadian Pacific Railway* (London, 1923; Toronto: Univ. of Toronto Press, 1971).

(...)

4 Graeme Patterson, *History and Communications: Harold Innis, Marshall McLuhan and the Interpretation of History* (Toronto: University of Toronto Press, 1990)

(...)

7 **Perhaps the most oft-quoted sentences of *The Affluent Society* (Boston: Houghton-Mifflin, 1958) are these: "The family which takes its mauve and cerise, air-conditioned, power-steered, and power-braked automobile out for a tour passes through cities that are badly paved, made hideous by litter, blighted buildings, billboards, and posts for wires that should long since have been put underground (...). Chapter 2 of *The New Industrial State* (Boston: Houghton-Mifflin, 1967), tided "The Imperatives of Technology" is the story of the Ford Motor Company.**

(...)

9 Alexander Wilson, *The Culture of Nature: The American Landscape from Disney to the Exxon Valdez* (Toronto: Between the Lines, 1991), 30.

10 George Ehring and Wayne Roberts, Giving Away a Miracle: Lost Dreams, Broken Promises and the Ontario NDP (Oakville: Mosaic Press, 1993), 187.

11 Harold Innis, "Significant Factors in Canadian Economic Development," in *Essays in Canadian Economic History* (Toronto: University of Toronto Press, 1956).

(...)

19 Lorraine Eden and Maureen Appel Molot, "Continentalizing the North American Auto Industry," in Ricardo Grinspun and Maxwell Cameron, eds., *The Political Economy of North American Free Trade* (Montreal: McGill-Queen's Press, 1993), 300.

(...)

22 R.T Naylor; *History of Canadian Business, 1867-1914* (Toronto: Lorimer, i975)> 2: 58.

(...)

26 Aikman, *Automotive Industry of Canada,* 14; Sun Life Assurance Company, *The Canadian Automotive Industry* (a study prepared for the Royal Commission on Canada's Economic Prospects, September 1956); Herbert Marshall, Frank Southard Jr. and Kenneth W. Taylor, *Canadian-American Industry: A Study in International Investment* (1936; Carleton Library, 1976); Wilkins, *Emergence of Multinational Enterprise,* 97.

27 Wallace Clement, Continental Corporate Power: Economic Linkages between Canada and the United States (Toronto: McClelland and Stewart, 1977), 60. The ramifications of foreign ownership extended to other secondary industries, such as steel; years later the Bladen Royal Commission noted that in 1959 the Canadian steel industry sold about 6 per cent of its shipments to the automotive industry while the comparable American figure was 17 per cent (Royal Commission on the Automotive Industry, Report (April 1961), 24).

28 Yates, *From Plant to Politics,* 20.

29 Aikman calculates that factory prices ranged from 32 to 44 per cent higher in Canada than the US, while the actual cost to the consumer was 41 to 54 per cent higher (Automotive Industry of Canada, 27). Companies may well have taken advantage of the tariff in their pricing; Marshall et at note that Ford Canada, which

imported practically no parts, "has been almost fantastically profitable throughout most of its history" (Canadian-American Industry, 64).

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39 See, for instance, Harry Johnson's critique, "The Bladen Plan for Increased Protection of the Canadian Automotive Industry," in *The Canadian Quandary: Economic Problems and Policies* (Toronto: McGraw-Hill, 1963).

40 Peter Morici, "US-Canada Free Trade Discussions: What Are the Issues?" *American Journal of Canadian Studies* (Autumn 1985), 315.

41 *From Plant to Politics,* 238.

42 Robert White, Hard Bargains: My Life on the Line (Toronto: McClelland and Stewart, 1987), 72.

43 Yates notes that: "The Left Caucus in the Canadian UAW was especially open to attack, given the participation in the caucus of many *Communists*" (From Plant to Politics, 98) *(the "L.C." here is not to be confused with the NDP members' Left Caucus – which the Stalinist CP boycotted in the NDP -- See this website -- Web ed.)*

44 Cited in the Royal Commission on the Automotive Industry, *Report,* 44.

45 *Report,* 21.

46 *Report,* 24.

47 Cited inJ.L. Granatstein, *Canada 1957-1967: The Years of Uncertainty and Innovation* (1968), 207

48 Carl Beigie, *The Canada-US Automotive Agreement: An Evaluation* (Canadian-American Committee, 1970), 51.

49 Stephen Clarkson, *Canada and the Reagan Challenge* (Toronto: Lorimer, 1982), 283.

50 Tayce A. Wakefield, "The Canada-US Free Trade Agreement and the Canadian Auto Industry: Doing the Right Thing at the Right Time," in Marc Gold and David Leyton-Brown, eds., *Trade-Offs on Free Trade: The Canada-US Free Trade Agreement* (Toronto: Carswell, 1988), 285. This decoupling of domestic production from domestic demand gave the Pact a post-Fordist flavour.

(...)

54 Canadian-American Committee, *Toward a More Realistic Appraisal of the Automotive Agreement* (June 1970), 8, 11.

55 Clarkson, *Canada and the Reagan Challenge,* 130; see also Robert Bothwell, *Canada and the United States: The Politics of Partnership* (New York: Twayne Publishers, 1992).

56 Laxer, *Canada's Economic Strategy,* 136.

57 Simon Reich, "NAFTA, Foreign Direct Investment and the Auto Industry," and Molot, "Introduction," in *Driving Continentally,* 9.

58 Yates, *From Plant to Politics,* 21 iff.

59 The FTA required that duty remissions be phased out by 1995 and precluded the granting of subsidies to automotive firms for the construction of plants conditional on provisions such as the level of Canadian content. Jon R. Johnson, "NAFTA and the Trade in Automotive Goods," in Steven Globerman and Michael Walker, eds., *Assessing NAFTA: Trinational Analysis* (Vancouver: Fraser Institute, 1993); N.B. Macdonald, **"Will the Free Trade Deal Driving a Gaping Hole Through the Auto Pact?" Policy Options (Jan/Feb. 1993).**

60 Sam Gindin, "The Auto Sector," in Duncan Cameron and Mel Watkins, eds., Canada Under Free Trade (Toronto: Lorimer, 1993).

61 Reich, "NAFTA," 89; Molot, "Introduction," 14; Holmes, "Towards," 54; and Eden and Molot,

"Continentalizing," 308.

62 **"Ford puts its 1990 health insurance expenses at $65 per vehicle in Canada, compared with $300 in US plants" according to the Office of Technology Assessment, Congress of the United States, US-Mexico Trade: Pulling Together or Pulling Apart? (Washington: 1992), 141-2. The report adds: "The problem is much greater for the Big Three than the transplants because Ford, GM and Chrysler must pay the full costs of health and benefits packages for an older and still aging workforce" (142).**

63 White, Hard Bargains, 142-3, 245.

64 John Holmes, "The Globalization of Production and the Future of Canada's Mature Industries: The Case of the Automotive Industry," in Daniel Drache and Meric Gertler, eds., *The New Era of Global Competition: State Policy and Market Power* (Montreal: McGill-Queen's University Press, 1991), 170.

65 Sam Ginden, "Breaking Away: The Formation of the Canadian Auto Workers," Studies in Political Economy (1989) 29: 69.

(...)

71 Marshall McLuhan, *The Mechanical Bride: Folklore of Industrial Man* (New York: Vanguard Press, 1951), 101.

72 A popular history of the automobile in Canada by Robert Collins, published in 1969, was actually titled *A Great Way to Go*. The 1994 film *The Chase*, consists entirely of a two-hour car chase with a couple making love at one hundred miles an hour on a crowded expressway while being pursued by eight police cars and a helicopter.

STAPLES AND BEYOND
Selected Writings of Mel Watkins (2006)
Edited by Hugh Grant and David Wolfe

CHAPTER 10

The Car and Canadian Political Economy:
An Innisian Perspective (1994)

This paper is based on a paper presented at a conference on "Cars and Continentalism" held at University College, University of Toronto, May 1994.

(All emphasis by the Web Ed.)

(This chapter relates the case history of the failure of the 'native' Canadian capitalist class to successfully carry outs its historical task of creating an independent economy and truly sovereign State – Web Ed.)

It has been said of Britain that it is more likely to have a biography of a minor poet than of a major politician. It could be said of Canada that it is more likely to have a history of almost anything than of an industry, even a major industry. We have more labour history than history of industries where labour works; indeed, what industrial history we have is frequently written by labour historians who have first to establish the credentials of the protagonist. Canadian working people, notwithstanding the pervasive influence of American unionism until very recently, evidently make more history than do Canadian business people. We also have industrial history written as incidental to tariff history, perhaps reflecting that Canadians, arguably, have been more innovative with respect to tariffs than with respect to industry. **Now that the US-Canada Free Trade Agreement (FTA), the North American Free Trade Agreement (NAFTA), and the World Trade Organization (WTO), tightly tied Canada's hands with respect to tariff-making, this way of writing industrial history (for whatever industry remains) will presumably disappear.**

It should come as no surprise, then, that we do not have a comprehensive history of the Canadian automobile industry. In Michael Bliss' history of Canadian business, we are told, **"The literature on the coming of the automobile to Canada is thoroughly inadequate" (though the auto industry has long been the largest secondary manufacturing industry in Canada), and "Nothing of importance has been written on the McLaughlins and General Motors of Canada" (though the latter has long been Canada's largest company).**[1] Bliss thinks it is unnecessary to tell us why, and it has not deterred him from writing a huge book, but it is, of course, a side effect of foreign ownership. **Earlier this year, the** *(British magazine) Economist* **headlined an editorial "The day of the national car is over"; for Canada, it was over before it began. Headquarters have always been somewhere else, at least for the real decisions.**

This paper attempts to transcend these inherent limitations by appeal to the insights of the late Harold Innis who profoundly understood that Canada was a margin and wrote serious history in spite of that.

Transportation was a major theme in Innis' historical writing, beginning with his doctoral thesis on the Canadian Pacific Railway.[2] The Conclusion begins, "The history of the Canadian Pacific Railway is primarily the spread of western civilization over the northern half of the North American continent"; for the history of the automotive industry in Canada, one could simply amend that to read "the spread of American civilization." In contrast to the conventional view of myself and others, John Watson writes, in his superb thesis on Innis, "By 1929, Innis had worked out a coherent sketch of Canadian economic development which revolved not so much around staples as around transportation systems."[3] Similarly, Graeme Patterson cites Innis's *Empire and Communications* to show that "it was waterways [transportation], not pulp and paper [the staple, as is usually alleged], that directly led to the late work."[4]J.B. Brebner, commenting on *Empire and Communications* in a 1950 letter to Innis, thought "your terminus is probably 'Power and Communications,' including transportation." While there is no evidence that Innis was moving in this direction, "Empire and Transportation" would not be a bad title for an Innisian study of the car.[5]

(P A R T) I

Innis was concerned with how particular activities had such pervasive impacts that society seemed virtually to be organized around them. Automobiles themselves were too contemporary to merit more than passing reference from Innis as historian, but he would perhaps have appreciated the considerable literature, scholarly and popular, that sees the automobile as hegemonic in much of the twentieth century. With respect to the labour process, the prevailing mode of regulation of much of this century is labelled "Ford-ism," incorporating, and hence transcending, both such potent "isms" as Taylorism and Keynesianism. Ford itself is still the third largest industrial concern in the world, being outranked by General Motors (which is first) and by Exxon, which supplies the gas for the cars, in second place. Womack and his collaborators call their book on the automobile *The Machine that Changed the World,* and argue that it did so not just once -- with Henry Ford and Alfred Sloan, whose genius was in segmenting the vehicle market -- but a second time, with Eiji Toyoda and Taiichi Ohno at Toyota after World War II.[6] ***For John Kenneth Galbraith, the great dissident economist and the successor to Thorstein Veblen who Innis so much admired, the automobile is arguably the dominant object of "the affluent society" and the auto industry the archetype of "the new industrial state."***[7] In each of the three great markets of the world -- North America, Europe and East Asia (centred on Japan) -- purchases of cars and trucks account for about 15 per cent of personal consumption, while a recent report of the US-based Natural Resources Defense Council calculates total car-associated costs, which it calls the "price of mobility," as 25 per cent of GNP**.**[8]

A powerful technology like the car creates a support system that adds to its momentum. Alexander Wilson," in his superb book *The Culture of Nature,* writes with respect to the US: "The highways encouraged car acquisition and use, the cars in turn consumed more gas, and the tax on the gas ensured the construction of more highways. The interstate highways, completed in the mid-1980s, amounted to a massive government subsidy to the auto industry and its many dependents, including tourism."[9] Car purchases were central to the boom of the 1920s and then the 1950s and 1960s, while in down times like

the 1930s road construction was a favoured anti-cyclical instrument. Paving, and repaving, roads remains a customary pre-election activity down to the present manic activity here in Ontario in preparation for the provincial election.

In the Canadian context, and in deference to the staples approach, the automobile industry is as important to the economy of southern Ontario (Canada's Michigan) as any commodity is to any province. Likewise, since the auto industry is the leading example of what Quebec has not got its fair share of within Canada, Ontarians fear, or ought to, that if Quebec separates the auto industry will be up for grabs. Significantly too, provincial New Democrats have long lived off the promise to bring auto insurance under public ownership and have done so in Manitoba, Saskatchewan and British Columbia. In 1948, the Ontario CCF promised to do so in its first term. **Years later Robin Sears, a senior official of the Ontario NDP, admitted that European socialists ridiculed him for the NDP's gung-ho approach to public auto insurance, mocking that the party was certainly not going after the commanding heights of the economy. Sears defended it by saying they did not understand the importance of the automobile in North American's independent lifestyle.[10] He had a point; it is a sign of the extraordinary caution of the NDP government that was finally elected in Ontario in 1990 that it reneged on this commitment.**

A creative concern of Innis -- that provides the key to the impact of the car on the political economy of Canada -- was with respect to regionalism. In 1931 he wrote, "The extension of the American empire, the decline of its natural resources, and the emergence of metropolitan areas, supported capitalist expansion in Canada and reinforced the trend to regionalism ... The pull to the north and south has tended to become stronger in contrast to the pull east and west."[11] The automobile is critical to the powerful nexus of continental economic integration and Canadian political disintegration on which Innis was so prescient. In the Foreword to the aptly titled book on the Canadian auto industry, *Driving Continentally,* Murray Smith makes the straightforward present-day point that **"The automotive sector is the bellwether of North American economic integration under NAFTA;" indeed, it is already the most continentally-integrated of any sector.[12]**

The writer since Innis who is most concerned with the symbiotic relationship between continentalism and regionalism is Garth Stevenson; it is not coincidental that he has also written extensively on transportation. **"Canada's history and its national identity, more than those of any other political community in the world, have been associated with the development of transportation and communications."** He adds with respect to the present times: "Canada's most important mode of transportation is highway transportation."[13] In sharp contrast to the east-west bias of the railway and the pervasive presence of the federal government, the pull of highways was north-south and the relevant government that of each province. Canada's first modern, limited-access highway, the Queen Elizabeth Way (QEW), built in the 1930s, ran from Toronto to Fort Erie, meaning Buffalo. (The inaugural flight of TransCanada Airlines in 1937 was from Vancouver to Seattle.) In contrast with most other modes of transportation and communication, "the provinces own and maintain the highways, which by a curious legal fiction are assumed to end and begin at each provincial boundary."[14] The paved TransCanada Highway was hot

authorized until 1949; Quebec stayed out under Duplessis because of opposition to federal grants with strings attached, and it was not completed until 1962, well after the transcontinental connection by air (1939), pipeline (1958) and TV microwave (1958).

Though roads like Dundas Street were originally built for military reasons, to secure a line of communications away from the American border that would not be vulnerable to American attack,[15] the long-run consequences have been of the continentalist cast.

Innis' concerns and concepts remain highly relevant to the contemporary world and contemporary scholarship. He was a political economist, and then and now that means that institutions (such as the state, corporations and trade unions) matter as well as the market; they are not, as orthodox economists imply with respect to the first and third, merely inertial. He most certainly believed that the temporal, historical dimension was relevant. The old political economy with its emphasis on staples and transportation laid the basis for the new political economy of the post-i96os with its emphasis on dependent industrialization and matters of class and gender.

***T*he Canadian auto industry is, in the words of James Laxer, "the classic case of branch plant industrialism;"[16] indeed, it is a highly successful example thereof, yielding both the benefits of high-wage jobs and the costs of a truncated structure. The recent *Porter Report,* bearing the imprimatur of both the Business Council on National Issues and the then Conservative Government of Canada, spells out the latter:**

["] General Motors of Canada is Canada's largest exporter [Ford is second and Chrysler third], but strategy development and most home based activities such as design and engineering are carried out in the United States. Supporting industries to the Canadian transportation cluster, such as batteries ... and tires ... are also heavily foreign-owned and foreign home-based. Although the automotive assembly industry contributes greatly to the Canadian economy, the lack of home bases in Canada means that Canada reaps fewer direct and indirect advantages from the presence of those industries than would otherwise be the case. The lack of Canadian home bases also creates vulnerability as trade becomes more open.["][17]

Studies done by the government itself show that in the auto industry "virtually no research and development is done in Canada," while in the parts industry Canadian-owned firms that accounted for just 17 per cent of shipments performed 46 per cent of the research.[18]

Canada is the only member of the G-7 not to have developed an indigenous car (something that even lesser economies like Sweden and South Korea have done), yet Canada is a member of the G-7. It has an imported, dependent auto industry, but a quantitatively large one that is finally efficient relative at least to the US parent country. The latter owes much to the Auto Pact, but its very success may have (falsely) encouraged a move to free trade that may be gravely threatening to both Canada's industrial future and its political future. A manufacturing sector has emerged with difficulty around the staples sectors of the Canadian economy in some part through conscious state policy of an

interventionist kind; there is a distinct risk that free trade will undermine manufacturing and result in a reversion to a more staples-biased economy. Ontario's leading export to an industrially stagnant Britain is white beans, while two mainstream writers have recently reminded us that "Although Mexico is a newly industrialized country, it sells a higher percentage of fully manufactured goods to Canada (69 per cent) than Canada exports to it (24 per cent).[19] ***There is, following Innis, much to be learned about Canada from the careful contemplation of the car, including the failure of Canada to produce one.***

(PART) II

Let us reflect briefly on what historical record there is of the industry in Canada. When Henry Ford developed his mass-production methods, the US quickly vaulted past France into first place among the world's automobile producers and stayed there until Japan passed it the 1980s.[20] The sixth Ford built was sold in Canada.

When the Canadian tariff on carriages was extended to cars, US automakers established assembly operations in Canada.[21] The initiative for the transplants came from Canadian carriage makers, Gordon MacGregor in the case of Ford and R.S. McLaughlin for General Motors. They were not bought out and taken over or persuaded to become comprador, they made the advance. (In the search for a name for the new Toronto NBA ***(****pro basketball --ed.)* **franchise, "Toronto Compradors" was somehow overlooked.)** *("Comprador:" agent of foreign capitalists --ed.)* ***T*****he key was patents, access to technology and technique, and what began as licensing and joint ventures did not progress along a learning curve to independent Canadian operations but regressed to wholly-owned, branch-plant, subsidiaries.[22]**

British imperial preference arrangements gave Canadian-based companies an advantage over American-based companies and enabled the former to reap economies of scale by extending effective protection for the export trade.[23] In the interstices of empire, manoeuvring within the North Atlantic Triangle, Canada was that privileged part of the American empire where manufacturers, regardless of nationality, had special access to the markets of the British Empire. Where the British Empire market (albeit excluding Britain itself which warranted its own American operations) was insufficient, Ford allocated the Latin American market to its Canadian subsidiary; as well, Ford subsidiaries in the further reaches of the British Empire, like South Africa and British Malaysia, were owned and controlled through the Canadian subsidiary. By 1913, Ford's Walkerville factory turned out more cars than any plant in the British Empire, including England. Forty per cent of the cars were exported, two to three times as many as did Ford US.[24]

So it was that by 1920, with the further boost to the industry from producing for the world's first mechanized war, Canada was second in the world to the US as a vehicle producer simply by assembling American cars. But Canada, as an affluent, sparsely-settled North American society, was

also second in the world (again, to the US) in per capita car ownership and, in spite of its small population, third in ownership (with Britain second) in absolute terms.[25] This should dispose of the simplistic argument, frequently encountered in the popular literature, that Canada failed to develop an indigenous industry because the Canadian market was too small; Canada remains second in per capita ownership but has slipped to sixth or seventh place among vehicle producers. The reality was that no Canadian car could survive in the face of branch-plant competition from Ford, GM, Chrysler, Studebaker and others; Canadian manufacturers tried to cater to the high-priced luxury market but could not hold even this niche, CCM (which sold that sixth Ford) made the Russell, a fairly popular choice until 1916 when it disappeared with the merger between CCM's Russell Motor Car Company and Willy-Overland Sales. By 1926, the only car made in Canada that was not also made in the US had the dubious distinction of being the only Canadian-made car propelled by steam; output of the Brooks Steamer was one car a day.

From an early date, therefore, the Canadian industry was a miniature replica of the American. It boasted many of the same models and American cars made in Canada conformed strongly to American standards (though heavy-duty shock absorbers were developed in Canada for use on the bad roads in the West). There was some effort to restyle models for the Canadian market, but the differences were superficial. The Buick was first marketed in Canada as the "McLaughlin," but in advertisements "McLaughlin" kept shrinking and "Buick" growing until only "Buick" remained. There are after all, scale economies, in this case spillovers, in advertising as well. In 1906, advertisements appeared in *Canadian Motor* for "Canadian-made Oldsmobiles"; the pitch was for jobs.[26]

The Canadian model of dependent industrialization reached its zenith in 1929. It had inherent limitations. With the historic exception of Ford, the Canadian industry was biased towards assembly rather than comprehensive parts production (the Canadian tariff on most parts was lower than on completed cars). Moreover, foreign ownership in cars led to foreign ownership in associated industries; "Firestone Tire and Rubber, B.F. Goodrich and Company, Goodyear Tire and Rubber, Seiberling, and US Rubber all followed the big three automakers into Canada."[27] As a result, jobs were fewer and were excessively of the semi-skilled or unskilled variety, while the head offices of the Canadian subsidiaries were more like regional offices for the Canadian operations with managers having limited, if any, input on key parent-company decisions.[28] In spite of its ability to export, the multiplication of models that may already have been excessive in terms of efficiency even for the large American market (that certainly became the case later with the built-in obsolescence of frequent model changes), meant considerably higher prices for Canadian than Americans for virtually identical cars.[29]

This fed popular resentment against the tariff despite the fact that even at its peak in the mid-1920s, the Canadian tariff of 35 per cent was "quite moderate" by international standards, below the US and France at 45 per cent, and virtually the same as the 33 1/3 per cent of traditionally low-tariff Britain.[30] **By 1926 anti-tariff sentiment, particularly in western Canada, had built to the point that the Mackenzie King government cut the tariff to 20 per cent, making it one of the lowest in the world. It simultaneously,**

however, bowed to rising nationalist sentiment that wanted more made-in-Canada commodities, and brought in tough Canadian-content rules; companies that produced or purchased 50 per cent of the value of their finished automobiles within Canada would get a 25 per cent drawback on all duties paid on imported parts and materials.[31] This was a clever combination of managed trade, rather than free trade in the literal sense, that culminated in the later Auto Pact. The automakers were fiercely opposed and threatened shutdowns, but the Canadian location still gave preferred access to imperial markets. King further placated their concerns by repealing the excise tax on cars that met Canadian content regulations, thereby increasing effective protection while permitting a further cut in prices.

Traves offers insight on the power, or surprising lack thereof, of foreign capital: "The principal auto manufacturers were isolated from the major centres of political power. In Canada, the auto industry developed on reinvested profits, not bank loans or stock flotations, and politically powerful financiers, brokers and bankers had no significant political stake in its fortunes."[32] Naylor and Clement argue that Canadian industry is weakened by the dominance of Canadian financial capital but it is even weaker when it fails to forge any substantial links. King held the car manufacturers "in very low regard"; in his diary in 1923 he described them as "the hardest looking lot of manufacturers' promoters I have seen, a genuinely brute force gang from Ford's and other concerns."[33] While imports increased dramatically, prices fell, parts makers did not suffer and, by 1928, all of the Canadian car makers had qualified for duty drawbacks. **During the first two years of the Depression, four of the leading American exporters during the 1920s - Nash, Hudson, Graham-Paige and Packard -- established assembly operations in Canada. Traves concludes: "The 'Canadianization' program begun in 1926 thus achieved a significant success within just a few years of its adoption."[34] It is an instructive story of how popular pressure and government innovation triumphed over big business to the benefit of Canadian consumers and workers.**

In the 1930s, as production sagged badly, Canadian plants turned out only between 4 and 5 per cent of cars and trucks produced in North America.[35] Trade agreements of 1932 gave Britain duty-free access to the Canadian automobile market, a provision that was to facilitate rising imports into Canada in the postwar years. The Canada-US Trade Agreement of 1936 reduced the tariff on cars to 27.5 per cent but increased Canadian- (or Empire-) content to 60 per cent. Studebaker, Hudson and Packard, the low-volume producers, ceased production and reverted to exporting to Canada.[36] But when auto plants were to convert to wartime production, surplus capacity disappeared, plants expanded and employment doubled.

In the immediate postwar years, pent-up Canadian demand camouflaged the serious loss of export markets as other countries adopted the Canadian-style import-substitution model. Dykes, in a popular treatment of the industry, writes: "most nations look on the automotive industry as a symbol of maturity" with no implication that he is thereby damning Canada with faint praise.[37] The record level of production of 1929 was broken in 1948, but in 1949 Canada was a net importer of passenger cars for the first time since 1914, a status that was to be matched by the US in 1957 (the same year that Ford introduced the Edsel!)[38] The United Kingdom took over second position as world producer immediately after the war; in the 1950s, France, Germany and Italy passed Canada, and in i960, Japan. The heyday of the North American industry was over and Canada, as an exposed appendage of the American complex, felt the crisis first.

(P A R T) I I I

By the early 1960s, the growing trade imbalance in cars exacerbated Canada's current account deficits, there were fewer jobs than there might have been, prices were 10 per cent higher than in the United States and wages were 30 per cent lower. Whatever the alleged benefits of foreign ownership, in this most foreign-owned of Canadian industries, things were not working and threatened to give foreign ownership a bad name. The combination of foreign ownership and the tariff had culminated in a crisis; if foreign ownership was not to go then the tariff had to and there were even mainstream economists prepared to advocate this.[39] But no government with a social conscience or a desire to be reelected could contemplate free trade without assurances as to what would survive by way of an auto industry in Canada. Free trade had been tried in agricultural implements since 1944 and a once thriving industry had subsequently grown more slowly than its American counterpart in spite of having strong indigenous firms.[40]

The Diefenbaker Government had no choice but to act, if necessary unilaterally; it established the Royal Commission on the Automotive Industry, under the leadership of University of Toronto economist Vincent Bladen, to consider the future of the industry. ***There were really only two choices: either continental rationalization to achieve economies of scale and with exports offsetting imports; or more efficient production within Canada market by reducing the number of models and, perhaps, even producing an all-Canadian car. Faced with only these two possibilities, the American automakers obviously would accept only the first; but either unable or unwilling themselves to resolve the crisis in the Canadian industry, the United Autoworkers (UAW) played a larger role than one might at first sight have imagined. Yates makes the point that in postwar Canada "each sector of the economy had its own form of regulation;"[41] perhaps, paradoxically, the union can play a larger role in finding a solution when the sector is foreign-owned and the national or Canadian interest eludes business and governments.***

Canadian autoworkers, like their American counterparts, organized in the 1930s and, consistent with the tendency of Canadian unionists to belong to American-based unions, ended up in the UAW. More so than in most industries, this made a certain sense given the overwhelming presence of American-based firms. The Canadian UAW supported the continental rationalization option with the hope that higher productivity would lead to wage parity; so did the UAW in the US in order to prevent jobs from moving to Canada.[42] ***Within the Canadian UAW, the Left Caucus pushed the nationalist option but in the climate of the Cold War was unable to mount a challenge to the union's leadership.[43] The nationalist option was also supported by independent parts manufacturers and the social democratic Government of Saskatchewan. The latter's brief to the Bladen Commission asked that "the industry give consideration to the production of a Canadian automobile, an automobile that would be more utilitarian, less subject to model changes, easier to repair and less expensive than the recent American mode."[44] It is poignant description of what is not a choice from multinational capital. Bladen***

was an old-fashioned economist who understood the argument, but wrote that we "must accept some features of the industry in the United States, such as the multiplicity of models and the frequency of model changes."[45]

Bladen shrewdly rejected both free trade and high protection and put forward an imaginative "extended content" provision whereby companies could earn duty-free entry of imports (mostly parts) by exporting (mostly assembled vehicles). He was impressed by the extent of scale economies: "if Canadian vehicle manufacturers were to adopt one type of automatic transmission for all models, the production of this part in Canada would not permit economies of scale such as now are obtained by a single United States producer of automatic transmissions."[46] But no action was taken on Bladen's proposals other than removing the excise tax, a belated recognition that the car was not a luxury.

The new Liberal government was sufficiently exercised about the state of Canadian industry in general that it created a new Department of Industry. It is a sign of how dependent the Canadian economy had become on the American, how irreversible that was, how non-viable the nationalist alternative already was, that even the greatest nationalist, Walter Gordon, reluctantly supported continental rationalization in the auto industry. "I did not like this [continental rationalization] in principle, but as three companies dominated the industry on both sides of the border, this acceptance merely acknowledged the existing fact."[47] More than that, to Gordon's intense unhappiness, he later had to agree to exempt *Time* **and** *Readers Digest* **from proposed legislation on Canadian ownership of magazines because of concern that otherwise Henry Luce, the publisher of** *Time***, might try to sabotage the Auto Pact. All in all, a depressing story about how dependency breeds dependency.**

If the die was firmly cast within Canada for continental rationalization, the key was to convince Washington. With respect to the negotiations that culminated in the Auto Pact, Carl Beigie writes: "it became clear that the highest levels of administration in the US government attached a great importance to a successful conclusion. US officials realized that Canada was determined to do something about the poor prospects for its automotive industry."[48] Stephen Clarkson adds: "When Lester Pearson sent peacekeeping troops to Cyprus in response to Lyndon Johnson's request, Johnson supported the Auto Pact in Congress as an exchange of favours."[49] The Pact included both an intergovernmental agreement and the companies spelling out the safeguards for Canada; it is not a figment of the Left's imagination that companies rank with countries -- for some companies and some countries.

If the Auto Pact resolved the crisis that gripped the Canadian auto industry in the early 1960s, it did so by accentuating both the benefits and the costs of dependent industrialization. The intent of the safeguards was to increase Canadian production to more closely match Canadian consumption; but in fact, two-way trade flows increased dramatically (24-fold in 20 years) making the Canadian industry dependent on the American market rather than the Canadian market.[50] Prices fell in Canada, employment stabilized (as labour-shedding from increased efficiency was offset by increased demand from expanding production) and wages rose to nominal parity (the Canadian dollar was valued below the American dollar). But management and R&D functions were further centralized under the Pact to Canada's disadvantage and lower relative wages in Canada attracted a disproportionate share of the labour-intensive portion of the industry.[51] After twenty years of the Pact, two orthodox economists told us: "While Canadians are not hewers of wood and drawers of water, we are 'assemblers' of cars - a relatively low-skilled activity in which

we compete with Korea, Taiwan and Brazil. Mexico produces more engines than does Canada ... All is not well in auto land."[52]

That the Auto Pact worked to Canada's advantage was certainly the American perception. Lyndon Johnson told Charles Ritchie, Canada's Ambassador to Washington, at the outset, "ooh, those Canadians. They got an Auto Pact and they're screwing us on that."[53] The US position was that the safeguards for Canada were transitional but even the notoriously pro-American, pro-free trade Canadian-American Committee was leery of that argument. **There was too much discussion, it felt, of the balance of trade (which had moved in Canada's favour) and not enough of the balance of payments which took account of the remission of profits to the US. It asked, "Is there, as some Canadians contend, a southward migration of managerial and professional personnel out of the Canadian automotive industry as a result of the Agreement?"[54] US displeasure was such that in 1971, when its troubles led it to impose a temporary import surcharge, "President Nixon was on the point of abrogating the whole pact -- only being dissuaded from such a drastic step by an impassioned intervention from the State Department an hour before the fatal step was to be taken."[55] But the Nixon administration did bring in the DISC (Domestic International Sales Corporations) program which created a tax advantage-for producing in the US, and investments by automakers in Canada fell off sharply.[56]**

By the late 1970s there were mounting deficits again in auto trade, and during the interlude of the Clark government, Trudeau committed the Liberals "to renegotiate the Auto Pact's disastrous imbalances." But as Clarkson documents so well, that was not to be. The rejuvenated Trudeau government brought in the National Energy Program and talked of NEPs in other sectors, but the election of the Reagan administration decisively ended the detente of the 1970s that had given countries like Canada at the margin a little room for manoeuvre. Fearing, excessively fearing, US protectionism, Canada tried to negotiate more sectoral arrangements, more Auto Pacts, with the US. The US was not receptive and with the election of the neo-conservative and highly pro-American Mulroney government in 1984, Canada moved to negotiating across-the-board free trade.

(PART) IV

During the negotiations of the FTA, Canada kept insisting that the Auto Pact was not on the table but it was and to Canada's detriment. The reality for some time had been that the North American industry was losing out to Japanese and then South Korean producers. In the early 1980s, the US responded to this unilaterally by negotiating voluntary restrictions on Japanese exports that encouraged Japanese companies to set up operations in the US. Canada moved tentatively in that direction with a production-based duty-remission scheme designed to encourage transplants in Canada.[57] **But a concerted effort, led by the CAW**

(which had broken from the UAW by 1988 to become an independent union --ed.) **and parts manufacturers, to extend Auto Pact provisions fully to the offshore producers came to naught with the election of the Mulroney government and the triumph of the ideology of deregulation over the national interest.[58] The FTA forbade Canada from extending the Auto Pact to offshore producers (other than GM's CAMI joint venture with Suzuki), phased out the duty remission scheme and precluded conditional subsidies to non-American automakers locating production in Canada.** In effect, there is now a two-tier industry with American companies facing Canadian safeguards that are not applicable to the offshore producers.[59] The consequences for employment are disastrous: "If we compare the number of jobs provided by the North American-based companies relative to their sales with that provided by the major Japanese-based companies (Toyota, Honda, Nissan and Mazda), we find that the former provides ten times as many jobs *(as the Japanese companies --ed.)...* If GM, Ford and Chrysler only had the same *(lack of --ed.)* commitment to Canada as the Japanese multinationals, we would have 60,000 fewer jobs (even fewer if we included the parts manufacturing jobs). "[6o]

Of course, the Auto Pact was not free trade per se, but managed trade, a critical distinction that was blurred during the great free trade debate of 1988. Grant Devine, the far-right and vehemently pro-free trade Premier of Alberta, went to Oshawa, the home of GM Canada, to declare that all of Canada would now get the alleged benefits of free trade which Ontario reaped from the Auto Pact. **Ironically, what the FTA did was undermine the safeguards of the pact, since the duties which the companies had to pay as penalties for nonperformance disappeared. Canadian-content rules -- anathema to free traders -- were replaced by North American content rules, with the problem for Canada that if the US plays hard ball, there is a risk that North American content *de jure* will be reduced to American content *de facto.* The North American industry was "protected" relative to the offshore producers but at a loss of protection for the Canadian segment. Canada is into a new variant of "imperial preference" with none of the promise of the first. Canadian nationalists who have always seen the Pact as a second-best -- is the "managed trade" of the Pact(,) economic nationalism or managed continentalism? -- are** (we) **compelled to rally to its defence and mostly fail in that effort**.(?)

NAFTA has only made the situation worse. Canadian production -- including Canadian-owned parts manufacturing -- can now shift to either the lower wage, less unionized states of the American south or to much lower wage Mexico. North American-content is increased from 50 to 62.5 per cent but there remains no Canadian-content rule and Mexican production has now to be included. After one cuts through the propaganda of governments and neo-classical economists, commentators see Canada as having "lots to lose, little to gain," particularly in parts production.[61] Still, they may be prone to take too seriously the neo-conservative version of the "competitiveness" model; in so far as public health insurance and good highways for just-in-time production are determinants of investment in the auto industry, Canada has an advantage which it is likely to retain.[62] Absenteeism is less in Canadian plants, and quality of production, as well as the return on investment "higher -- or so the union has claimed in the past."[63] With the new flexible-production technology, GM has moved towards a regional production complex in southern Ontario. Holmes argues that "The return to a more national alignment of assembly and parts manufacturing is felt necessarily to reduce vulnerability to outside forces" and he adds that "One source of such vulnerability is the split in the union."[64] ***That Canadian autoworkers belonged to an American union seemed logical under continental-rationalization model of the Auto Pact; but as Sam Ginden observes (from the inside),***

"However much Canadian auto workers were integrated in the continental economy, they were still part of a different social formation."[65] The weakening of the American labour movement relative to the Canadian labour movement and a growing sense of Canadian nationalism -- in combination with the move to post-Fordist production -- led to the split, and from that came the CAW that has played a catalytic role in energizing and restructuring the Canadian labour movement. Strong unions, and progressive governments that invest in physical and social infrastructure — if Canada can maintain them in the face of the powerful harmonizing effects of free trade -- can be an advantage. Yates writes of "Canada's continued preference as a good site for building cars" and adds, "although it is impossible to predict the CAW's success or failure in influencing the emergent mode of regulation, it is possible to state with certainty that any new regime, in contrast to the Fordist experience, will be 'made in Canada.'"[66] To reiterate a point made earlier, Canadian workers apparently make more history than Canadian businesses.

(PART) V
(...)

If McLuhan is right, that each technology like the automobile is an extension of the human personality, then we research ourselves each time we drive, or even try to cross the street. When Canadians do so, there is cause to reflect not only upon our personal experience but also upon our industrial history and our economic relationship with the United States. ***The growth of the Canadian automotive industry was initially related to Canada's skilful exploitation of imperial preference arrangements and the development of Canadian-content rules which in due course culminated in the ingenious Auto Pact arrangement of the mid-sixties. In the face of the FTA and NAFTA, it has largely fallen upon Canadian autoworkers to defend the national interest in the industry*** *[i.e., the "national" production quotas of the US auto giants in Canada -- Ed.]* Even more so, the automobile has been a pervasive force in the continental rationalization of the North American economy generally, and with (it) has come American cultural baggage and a tendency to political disintegration within Canada. Whether or not working people have the capacity to resist this occurrence is a question for more sombre reflection *[here the author apparently confuses a key element of the workers' hard-won 'standard-of-living -- the release from alienation afforded by the individual 'freedom' of the automobile -- with the broader crisis of working-class politics, such as the lack of identification of workers' interests in the NDP and near total absence of meaningful mass political participation in this 'labor party' -- what he correctly calls 'political disintegration' --Web Ed.]*

N O T E S (S e l e c t i o n)

1 Michael Bliss, *Northern Enterprise: Five Centuries of Canadian Business* (Toronto: McClelland and Stewart, 1987), 604. Charlotte Yates' book on autoworkers, *From Plant to Politics: The Autoworkers Union in Postwar Canada* (Philadelphia: Temple University Press, 1993), is much better than anything written about the auto industry in Canada. Tom Traves' chapter on "The political economy of the automobile tariff in *The State and Enterprise: Canadian Manufacturers and the Federal Government, 1917-1931* (Toronto: University of Toronto Press, 1979) is the best thatwe have produced on the automobile tariff.

2. H.A. Innis, *A History of the Canadian Pacific Railway* (London, 1923; Toronto: Univ. of Toronto Press, 1971).

(...)

4 Graeme Patterson, *History and Communications: Harold Innis, Marshall McLuhan and the Interpretation of History* (Toronto: University of Toronto Press, 1990)

(...)

7 **Perhaps the most oft-quoted sentences of *The Affluent Society* (Boston: Houghton-Mifflin, 1958) are these:**

"The family which takes its mauve and cerise, air-conditioned, power-steered, and power-braked automobile

out for a tour passes through cities that are badly paved, made hideous by litter, blighted buildings, billboards, and posts for wires that should long since have been put underground (...). Chapter 2 of *The New Industrial State* (Boston: Houghton-Mifflin, 1967), tided "The Imperatives of Technology" is the story of the Ford Motor Company.

(...)

9 Alexander Wilson, *The Culture of Nature: The American Landscape from Disney to the Exxon Valdez* (Toronto: Between the Lines, 1991), 30.

10 George Ehring and Wayne Roberts, Giving Away a Miracle: Lost Dreams, Broken Promises and the Ontario NDP (Oakville: Mosaic Press, 1993), 187.

11 Harold Innis, "Significant Factors in Canadian Economic Development," in *Essays in Canadian Economic History* (Toronto: University of Toronto Press, 1956).

(...)

19 Lorraine Eden and Maureen Appel Molot, "Continentalizing the North American Auto Industry," in Ricardo Grinspun and Maxwell Cameron, eds., *The Political Economy of North American Free Trade* (Montreal: McGill-Queen's Press, 1993), 300.

(...)

22 R.T Naylor; *History of Canadian Business, 1867-1914* (Toronto: Lorimer, i975)> 2: 58.

(...)

26 Aikman, *Automotive Industry of Canada,* 14; Sun Life Assurance Company, *The Canadian Automotive Industry* (a study prepared for the Royal Commission on Canada's Economic Prospects, September 1956); Herbert Marshall, Frank Southard Jr. and Kenneth W. Taylor, *Canadian-American Industry: A Study in International Investment* (1936; Carleton Library, 1976); Wilkins, *Emergence of Multinational Enterprise,* 97.

27 Wallace Clement, Continental Corporate Power: Economic Linkages between Canada and the United States (Toronto: McClelland and Stewart, 1977), 60. The ramifications of foreign ownership extended to other secondary industries, such as steel; years later the Bladen Royal Commission noted that in 1959 the Canadian steel industry sold about 6 per cent of its shipments to the automotive industry while the comparable American figure was 17 per cent (Royal Commission on the Automotive Industry, Report (April 1961), 24).

28 Yates, *From Plant to Politics,* 20.

29

39 **Aikman calculates that factory prices ranged from 32 to 44 per cent higher in Canada than the US, while the actual cost to the consumer was 41 to 54 per cent higher (Automotive Industry of Canada, 27). Companies may well have taken advantage of the tariff in their pricing; Marshall et at note that Ford Canada, which(...) imported practically no parts, "has been almost fantastically profitable throughout most of its history" (Canadian-American Industry, 64).** See, for instance, Harry Johnson's critique, "The Bladen Plan for Increased Protection of the Canadian Automotive Industry," in *The Canadian Quandary: Economic Problems and Policies* (Toronto: McGraw-Hill, 1963).

40 Peter Morici, "US-Canada Free Trade Discussions: What Are the Issues?" *American Journal of Canadian Studies* (Autumn 1985), 315.

41 *From Plant to Politics,* 238.

42 Robert White, Hard Bargains: My Life on the Line (Toronto: McClelland and Stewart, 1987), 72.

43 Yates notes that: "The Left Caucus in the Canadian UAW was especially open to attack, given the participation in the caucus of many *Communists*" (From Plant to Politics, 98) *(the "L.C." here is not to be confused with the NDP members' Left Caucus – which the Stalinist CP boycotted in the NDP -- Web ed.)*

44 Cited in the Royal Commission on the Automotive Industry, *Report,* 44.

45 *Report,* 21.

46 *Report,* 24.

47 Cited inJ.L. Granatstein, *Canada 1957-1967: The Years of Uncertainty and Innovation* (1968), 207

48 Carl Beigie, *The Canada-US Automotive Agreement: An Evaluation* (Canadian-American Committee, 1970), 51.

49 Stephen Clarkson, *Canada and the Reagan Challenge* (Toronto: Lorimer, 1982), 283.

50 Tayce A. Wakefield, "The Canada-US Free Trade Agreement and the Canadian Auto Industry: Doing the Right Thing at the Right Time," in Marc Gold and David Leyton-Brown, eds., *Trade-Offs on Free Trade: The Canada-US Free Trade Agreement* (Toronto: Carswell, 1988), 285. This decoupling of domestic production from domestic demand gave the Pact a post-Fordist flavour.

(...)

54 Canadian-American Committee, *Toward a More Realistic Appraisal of the Automotive Agreement* (June 1970), 8, 11.

55 Clarkson, *Canada and the Reagan Challenge,* 130; see also Robert Bothwell, *Canada and the United States: The Politics of Partnership* (New York: Twayne Publishers, 1992).

56 Laxer, *Canada's Economic Strategy,* 136.

57 Simon Reich, "NAFTA, Foreign Direct Investment and the Auto Industry," and Molot, "Introduction," in *Driving Continentally,* 9.

58 Yates, *From Plant to Politics,* 21 iff.

59 The FTA required that duty remissions be phased out by 1995 and precluded the granting of subsidies to automotive firms for the construction of plants conditional on provisions such as the level of Canadian content. Jon R. Johnson, "NAFTA and the Trade in Automotive Goods," in Steven Globerman and Michael Walker, eds., *Assessing NAFTA: Trinational Analysis* (Vancouver: Fraser Institute, 1993); N.B. Macdonald, **"Will the Free Trade Deal Driving a Gaping Hole Through the Auto Pact?" Policy Options (Jan/Feb. 1993).**

60 Sam Gindin, "The Auto Sector," in Duncan Cameron and Mel Watkins, eds., Canada Under Free Trade (Toronto: Lorimer, 1993).

61 Reich, "NAFTA," 89; Molot, "Introduction," 14; Holmes, "Towards," 54; and Eden and Molot,"Continentalizing," 308.

62 **"Ford puts its 1990 health insurance expenses at $65 per vehicle in Canada, compared with $300 in US plants" according to the Office of Technology Assessment, Congress of the United States, US-Mexico Trade: Pulling Together or Pulling Apart? (Washington: 1992), 141-2. The report adds: "The problem is much greater for the Big Three than the transplants because Ford, GM and Chrysler must pay the full costs of health and benefits packages for an older and still aging workforce" (142).**

63 White, Hard Bargains, 142-3, 245.

64 John Holmes, "The Globalization of Production and the Future of Canada's Mature Industries: The Case of the Automotive Industry," in Daniel Drache and Meric Gertler, eds., *The New Era of Global Competition: State Policy and Market Power* (Montreal: McGill-Queen's University Press, 1991), 170.

65 Sam Ginden, "Breaking Away: The Formation of the Canadian Auto Workers," Studies in Political Economy (1989) 29: 69.

(...)

71 Marshall McLuhan, *The Mechanical Bride: Folklore of Industrial Man* (New York: Vanguard Press, 1951), 101.

72 A popular history of the automobile in Canada by Robert Collins, published in 1969, was actually titled *A Great Way to Go*. The 1994 film *The Chase*, consists entirely of a two-hour car chase with a couple making love at one hundred miles an hour on a crowded expressway while being pursued by eight police cars and a helicopter.

Staples and Beyond

Selected Writings of Mel Watkins

Edited by Hugh Grant and David Wolfe

CHAPTER 12

The Economics of Nationalism and the Nationality of Economics: A Critique of Neoclassical Theorizing (1978)

A revised version of a paper by the same title that appeared in the Canadian Journal of Economics *11 (1978): S87-S120. The original paper was one of six presented at the "Harry Johnson Memorial Symposium" organized by the Canadian Economics Association.*

(All emphasis by the Web Ed.)

Such was the productivity of Harry Johnson that he is said to have published more articles in professional journals than any other economist.[1] This is a remarkable and laudable achievement, and one that would have been even more impressive were it not for his untimely death.

(...)

Harry Johnson was a neoclassical economist, indeed the most creative practitioner thereof that Canada has produced in recent times, and a committed internationalist, or anti-nationalist.[2] I am none of these things, but rather a Marxist and a nationalist. I could have chosen to focus on the first of these differences (neoclassical versus Marxist) and to some extent I must; but a Marxist critique of neoclassical theorizing struck me as unproductive at least at the margin both because it has about it the character of a dialogue of the deaf and because it has been done many times already and is likely to be subject to diminishing returns.[3]

(...)

A nationalist critique of neoclassical theorizing and particularly of the Johnsonian version, albeit from a Marxist stance as well, is potentially a more productive exercise.[6] As Rotstein argues, both the neoclassical and the Marxist paradigms have great trouble with nationalism; given the reality of nationalism, this suggests that my topic is the one where the intellectual action is, or should be.[7]

(...)

My subtitle will make it evident that this paper is fundamentally a critique of neoclassical theorizing, and thus a critique of Johnson precisely because of his great proficiency as a neoclassical theorist.

(P A R T) I

Johnson's writings on the MNC *(THE MULTI-NATIONAL CORPORATION)* proper (...)

(P A R T) I I

A recurring theme in the literature is that of the MNC versus the nation-state. It is not one, however, that has been particularly productive of insight, at least in the mainstream literature. By and large it is an area where it is difficult to distinguish between belief, or wishful thinking, and analysis; *obiter dicta* abound. That is certainly the case with Johnson, for whom it was an article of faith that the MNC was the wave of the future, the nation-state the dead hand of the past.

In his early writings on Canada, he dismissed what he saw as "this vague anxiety about the closeness of Canadian economic relations with the United States" as "an anachronism, a hangover from history."[27] In his later writings on technology, "not the least" of the problems that he saw in prospect from technology and its increasing complexity was "man's archaic clinging to the nation state as his unit of social organization."[28] On the issue of extraterritoriality as an area of tension between the MNC and the nation-state, he states: "The issue necessarily brings national states into conflict with one another and should be seen, not in terms of the traditional categories of 'American imperialism,' 'colonialism' and so forth, but in terms of a more general and fundamental problem of reconciling the traditional and anachronistic conception of the 'isolated state' with the economic -- and political -- facts of a rapidly integrating world in which there is increasing mobility of goods, capital, labour (at least educated labour) and knowledge. In the long run, we shall have to become one world, politically as well as economically."[29] For Johnson the assumption that the nation-state was obsolete served in conjuring away such nasty things as imperialism and colonialism; on the few occasions that they are alluded to, he puts them in quotation marks or precedes them with "alleged." The final sentence is only one of the countless examples of Johnson's conviction that there already was a world economy and it was time the world polity got in step.

There is much to object in these simplistic views. The first is how anything so obsolete as the nation-state can still be tolerated, much less actually supported, by so many of the ordinary people of this world. Neoclassical economists are but the slightest fraction of the world's population; how is it possible for so few to be so right and so many to be so wrong? It is, to say the least, puzzling: "Some cry, anachronism -- but if so the question remains, how come such a flourishing anachronism?"[30] And what is meant by "archaic?" Johnson and others use it mostly as a pejorative term, a tendency which is distinctly unhelpful. Kindleberger tries to be understanding but, perhaps precisely because of his lucidity, only manages to demonstrate the extreme limitations of the neoclassical paradigm when confronted with a truly complex phenomenon. "Scratch any of us deeply enough," he tells us, "and you will find instinct of nationalism or xenophobia, overlain though they may be with layers of civilizing repression." People react instinctively to "the fact that the activities of institutions within their economy and polity are 'controlled' from outside the political unit... The reactions are understandable, but are not on that account to be approved." Nationalist sentiment is "non-economic," an example of "irrational instincts which the study of economics is perhaps

designed to eradicate."[31] Economics, it would appear, is part of those "layers of civilizing repression," part of the hope that the nationalist hordes can be converted to reason. I risk being facetious, but surely the transformation of economics from science into magic is striking.

If this seems too strong a charge, bear in mind what has been done. Nationalism is variously described as anachronistic, or archaic, or instinctual (though these words in fact do not all have the same meaning). It is then labeled irrational, because it represents non-economic behaviour, in the sense of not maximizing material gain. Being archaic and irrational, it must be condemned.

What does the term archaic imply? Regis Debray argues that the nation-state is a historical creation that expresses the cultural organization of the human collectivity. Against the tendency to disintegration, it seeks to survive by reproducing its own identity in space and time. In this sense, that the "hard core" of the nation-state is always archaic makes it more resistant and resilient: born with capitalism, now in bed with communism, it may have staying power equal to either.[32] The difference between Debray's mode of reasoning and that of neoclassical economics is so vast that it is not easy to make a connection, but it should put all of us on our guard against facile predictions, such as Johnson's that "the long-run trend will be toward the dwindling of the power of the national state relative to the corporation."[33]

Debray's allusions to man's fundamental notions of time and space will recall how the later Innis also used these dimensions as the warp and woof of history to try to get at the mysteries of empires as political entities.[34] These themes resonant in Canadian writing, significantly in the discussion of nationalism. Grant spoke to the temporary dimension in his lament for Canada: "I lament it as a celebration of memory; in this case the memory of that tenuous hope that was the principle of my ancestors," and his lament was in turn to feed fresh hopes.[35] Rotstein sees English Canadian nationalism as a spatial phenomenon "confined to a single dimension of political concern: the integrity of Canadian territory from sea to sea, and the integrity of legal jurisdiction and social order on that territory." From this it draws what little strength it has in resisting American penetration, and hence there is minor virtue; but from this it also draws its obsession with national unity and its inability to relate to Quebec's nationalism with its much deeper historical, or temporal, roots, and here lies its "grave liability."[36]

What is there to say about the matter of "irrationality?" Nairn describes nationalism as an apparently "irrational" mass response to the rapid industrialization of the 18th Century, an industrialization destructive of all traditions and customs. Nationalisms resisted industrialization by looking to the past, but at the same time were transformed by the "ordeal of development." In this context, neoclassical theorizing on nationalism is best understood as a "metropolitan fantasy" that serves the imperatives of the grand bourgeoisie (now the MNCs) of the metropolis. But in the nature of the case, that is, of imperialism, it also serves the interests of comprador bourgeoisies (allied to metropolitan capital) in the hinterlands; hence the fantasy must thrive as well among the intellectuals of the hinterland.

In the Canadian context, Rotstein -- who is unquestionably the leading English Canadian theorist of nationalism -- uses a Polanyi-like framework that has anticipated important aspects of this nationalist counter position. ***"The new MNCs threaten the survival of the indigenous cultures and political integrity of countries which they penetrate ... [by shifting] the locus of decision-making outside the borders of the host country ... For those concerned with the issue of national independence . . at stake is the integrity of the apparatus of the nation-state as a means of implementing the growing number of tasks assigned to it by its citizens ... In an age of rapidly spreading global corporations, only the nation-state remains as a regulatory power and safeguard of sufficient strength against the vast reorganization of resources and global planning carried on by these corporations in their own interests."***[37] Johnson, though highly critical of Rotstein's work, never took it sufficiently seriously to detail what he thought wrong with the analysis. This would have required him to theorize about non-market activity and not to pretend that all activity is reducible to market-like activity.[38] The cost of doing otherwise is high, for it means (in this case) that economic theory threatens to destroy the possibility of the serious study of nationalism. Innis once wrote of the need "to rescue economics from the present-mindedness which pulverizes other subjects and makes a broad approach almost impossible" and advised that "the use of economic theory as a device for economizing knowledge should be extended and not used to destroy other subjects or an interest in them."[39]

(P A R T) I I I

Any theorist of nationalism (...)

From a Marxist perspective, the most striking feature of the model is the discovery of classes since the hallmark of the neoclassical paradigm to deny their existence. The model is about what is variously called the "technocratic elite," the new technocratic petty bourgeoisie or, more narrowly, the state middle class (as a fraction of the new middle class). So understood, one is inclined to see merit in the model as an elucidation of the behaviour of a new strata of middle-range technocrats. Given the degree to which Quebec nationalism is now seen across a broad spectrum of scholarship as a weapon of the new technocracy of Quebec, Breton deserves recognition for making this point very early on.[54] But this observation alone tells us more about elitism than nationalism. As Clarkson observes: "That private jobs are bought with public funds is, of course, generally true about elitist political systems whether capitalist or socialist. The failure to distinguish statements about nationalism from statements about elitism makes this line of analysis very blunt."[55]

But the Breton-Johnson model is a most impoverished class model, the kind of crude caricature of class analysis that many neoclassicists charge inheres in Marxism.[56] There are only two classes, the middle class and the working class, and what is meant by the middle class after much re-reading remains unclear.[57] Nor is there any recognition of class *fractions* beyond Breton's distinction between an old (Anglophone) and a new (Francophone) middle class in Quebec, with the nationalism of the latter being merely ethnic discrimination. Had they allowed for divisions within the middle class along lines other than language, they would have seen, as many writers have, that the Francophone middle class consists of both a federalist fraction (led politically by Trudeau) and a separatist fraction (led politically by Lévesque). The truth of the

matter -- the secret that the nationalists have been unable to keep to themselves -- is that most of the Canadian middle class is *not* nationalist. For those inclined to see everything as a matter of taste, what needs to be explained is not a "taste for nationalism" but a "taste for continentalism."

Even if we assume both a homogeneous middle class and that it benefits from nationalist policies, to infer that its behaviour is explained by the fact of benefit (and *ex post* benefit to boot) is to risk falling victim to conspiracy theories based on the *cui bono* maxim.[58]

More important, why are workers receptive to nationalism even if all they receive are psychic benefits? Can they not play a leading role themselves, at least in the sense of being more nationalist than the middle class? After all, they are human beings, not mere receptacles into which bad ideas are poured.[59] What is ultimately at issue, theoretically, in this matter of psychic benefits for the working class is the very thorny problem of false consciousness. Breton-Johnson see workers as anti-nationalist but somehow conned, and Johnson relies upon Downsianism by way of explanation.[60] (It is hard not to see an analogy with certain tendencies in Marxism which see workers as anti-capitalist but somehow deceived.) **But it is possible that workers are nationalist and that their ideas spring from the material reality of the harm suffered by the unevenness of international development. This is not to deny Clarkson's point that workers typically only get to choose among options defined by elites, and that in both Quebec and Canada there is no effective organized working class politics.[61]** *(Unlike European workers, all North American workers have no mass identification with Social-democratic or 'Communist' parties; while in Canada the sole labor-based party in North America – the NDP-- the leadership denies its proletarian base, recognizing only bureaucrat-delegated voting blocs in the election of their party leaders; while only union dissidents are able to effectively express their views in 'socialist' or 'left-caucuses' or in Waffle – Web Ed.)*

It might be argued in both of these cases (and particularly Quebec) that the workers are more nationalistic than their actions suggest because they are constrained by their (rational) perception of short-run economic costs. In such an event, the issue would not be nationalism as propaganda from above, but the conscious constraining of inherent nationalist feelings.[62] *(All Quebec's independentist parties are controlled by petite-bourgeois – as is the principal party, the Parti Québécois, which has recruited militant union leaders and enjoys the support of the most politicized and nationalist workers; labor's, and indépendantiste, fervour is tightly controlled by its leadership rightly fearful of the explosive dynamic it has cautiously unleashed; i.e., the Lévesque leaderships' unanimous opposition to Quebec unlingualism – Web Ed.)*

The more obvious shortcoming of the Breton-Johnson model is that there is no capitalist class or, at the very least, an "upper class." Johnson seem not to understand that his views are the majority sentiments of the more powerful Canadians. He explains the nationalism of Walter Gordon in a way that presumes *all* Canadian businessmen are nationalists; a theory that incorrectly predicts in nine cases out of ten -- or is it ninety-nine out of a hundred? -- is not defensible by that elementary test so appealing to positivists.[63] Breton and Johnson see nationalism under every non-working-class bed, an error made truly ludicrous by Daly-Globerman when they conjure up, at one end of the nationalist spectrum, "right-wing bankers."[64] This

failure of understanding leads to a certain tendency to cry wolf. ***As Rotstein has put it: "To warn a country that it is in danger of becoming too nationalist when 58.1 per cent of its manufacturing is already in foreign hands, as well as great stretches of its natural resources, is about as gratuitous as warning St. Francis of Assisi not to become a possessive individualist."***[65]

Embedded in all this discussion of nationalist policies, whether viewed from a neoclassical or a Marxist perspective, is necessarily a theory of the state. Johnson parodies "the Marxist concept of the state as an instrument of the ruling class," while writers like Downs and Breton represent "a recently emerging school of theorists [which] has been absorbing political into economic theory" with the "concept of the state as a type of market process."[66] ***Yet what is this new-fangled notion of a state that represents "producer interests" except a rediscovery of that tired cliche of "vulgar Marxism" -- against which Johnson has just warned us — that "the state is an instrument of the ruling class?" His early position -- frequently reiterated in*** The Canadian Quandary ***-- was that the host country state was "sovereign," and if there were problems from foreign control (though there were not) the state would, and could, act. Rotstein commented at the time on the apparent gap between "Professor Johnson's vaunted sovereignty" and "effective policy,"***[67] ***and Vaitsos and many others have commented on the ability of transnational corporations to influence the policy of host countries pervasively and — notwithstanding the propensity of neoclassical economists to see the transnational corporations as rational and pacific - not always subtly, as the case of ITT*** *(the US telecommunications conglomerate -- Web Ed.)* ***in Chile demonstrates.***[68]

There is a specific aspect of the state of great importance in understanding Quebec and Canada and other cases that are nowhere to be found in the Breton-Johnson model. Petras argues that the hinterland state is formed by imperial capital to serve metropolitan imperatives, but the process is dialectical and, particularly in the face of any "nationalist" tendencies, imperial capital acts to constrain and "disaggregate" the hinterland state.[69] This tendency of the "external threat" to exacerbate the "internal threat" is a major theme of Canadian Historiography. Gilpin has adumbrated the Quebec/English-Canada confrontation within the context of the North American triangle (of Quebec, English-Canada, and the United States), with the "separatist" fraction continuing to argue the case for mediating the Quebec-US relation through Ottawa and Toronto.[70] Presumably Breton-Johnson cannot see any of this because they actually have a theory of nationalism that, not admitting imperialism, cannot recognize the strategy of divide-and-conquer.

This also casts the issue of discrimination in a different light. Do nationalist policies in themselves constitute discrimination **against** ***foreigners or do they rather correct existing discrimination*** **BY** ***foreigners?**** Johnson finds it difficult to determine "whether the employment of non-nationals represents discrimination against nationals or reflects their inferior quality," but "under competitive conditions" (an assumption he was always willing to make) "there is a presumption in favour of the latter assumption."[7'] Given the pervasiveness of colonialism there is a powerful presumption that what nationalism is reacting to is discrimination consequent on colonialism, and that nationalist policies should be understood not as as "reverse discrimination." Whether Quebec has been "backward by choice" or "backward by imposition" as

a consequence of colonialism, is a fundamental issue in the warring schools of Quebec Historiography. **A famous unpublished research report for the Royal Commission on Bilingualism and Bi-culturalism found that 60 per cent of the income differential between English Canadian and French Canadian Montrealers in 1961 was due to a clear preference of Anglophone employers for English Canadian over French Canadian employees. If this reflects the existence of colonialism, a more sympathetic understanding of Quebec's language policies to the extent that they are intended to correct this discrimination.**[72] ***(**emphasis by the author).*

All things considered, Rotstein is eloquent in exposing the folly of the assumptions and implications of a Breton-Johnson-type position:

A great deal of nonsense has been written on the subject by people who should know better, but who have become victims of their own antiquated dogmas, that nationalism is merely the protectionist armour for an incompetent middle class. It takes only the briefest acquaintance with the realities of the Canadian scene to appreciate that the middle class in this country has been the spearhead of the great sell out. No other business class in an advanced industrial society has presided so gracefully over its own liquidation. No other university establishment in an advanced country had flooded its ranks with so many non-Canadians to the point where the preservation of a Canadian intellectual tradition, or a social science addressed to contemporary Canadian problems, is now in grave doubt. No other trade union movement in the world is as dependent on direction from abroad. Had the middle class put its weight solidly behind Canadian nationalism, this erosion of national control would have been substantially impeded.[73]

The Breton-Johnson model is a most vulgar class model, yielding "insights" on contemporary nationalism that rank with those of the mechanistic and dogmatic tracts of the most doctrinaire ultra-left sects. This raises the possibility that the theory has little value other than to serve the ideological function of discrediting nationalism.[74] "Small" models may be appropriate to the undertaking of "small" tasks, but they fail dismally when applied to large questions, and nationalism is a large question. Innis warned that "We have failed to realize that the social sciences have been disastrously weakened by the neglect of the study of their limitations."[75] We cannot (if we understand Polanyi, not to speak of Marx) create society as an aggregation (through the market) of the logic of individual, or micro-level choice. Concretely, nationalism does not exist because it is in the self-interest of some people to be nationalists. The neoclassical view is the *reductio ad absurdum* of behaviouralism. Rather, some people are nationalist, and some are not, for a complex of reasons that grow out of "the machinery of world political economy."[76] In the nature of the case, we can only get at this by being political economists.

(Next section p. 196-203 on file -- a polemic on Canadian economist Harry Johnson's anti-[Canadian] nationalism -- while apparently totally oblivious of the dominant imperialist nationalism of the USA.)

(...)

(PART) I V

If nationalism is "for real" its consequences will be pervasive, and ideas in general and economic theory in particular will not escape unscathed. Exactly because nationalism exists there is an economics of nationalism which, in turn, implies that there must be a nationality of economics.

(...)

Johnson's position denied a fundamental tenet that Innis enunciated in theory and applied in practice throughout his life's work: the need for a distinctive Canadian economics. "The application of the economic theories of old countries to the problems of new countries results in a form of exploitation with dangerous consequences. The only escape can come from an intensive study of Canadian economic problems and from the development of a philosophy of economic history or an economic theory suited to Canadian needs."[82] The early Johnson (correctly) chided the Gordon Commission for having no "consistent philosophy of resource-oriented growth."[83] But such a "philosophy" was of course precisely what Innis and his school had offered in the staples approach, and Johnson seems not to have understood that the intensification of the penetration of the neoclassical paradigm in Canada had worked powerfully to suppress the Innis tradition and to substitute lip-service to Innis as a person for the scholarly attention that alone could have assured a living Innisian economics. Nor was Johnson guiltless in this process, for he proselytized in Canada for the neoclassical paradigm with evangelical zeal, with all the legitimacy that accrued to him as a Canadian who had "made good" in what were, for English-speaking Canadians, the two great metropolitan centres. He was, after all, with his university appointments in both the United States and the United Kingdom and his frequent visits to Canada, the very embodiment of the North Atlantic Triangle.

(...)

N O T E S

1 Harry G.Johnson, "Biographical Note," *Technology and Economic Interdependence* (London: Macmillan, 1975).

2 "I adopt a cosmopolitan liberal position and regard nationalism as one of the least pleasant vices in which mankind indulges itself, or as one of the characteristics of childish immaturity out of which I hope the people of the world will ultimately grow" (Johnson, "Bibliographic Note," 91).

3 See, for example, Marc Linder, *Anti-Samuelson* (New York: Urizen Books, 1977), a two-volume critique of Samuelson's one-volume introductory text.

4 Thomas S. Kuhn, *The Structure of Scientific Revolutions* (Chicago: University of Chicago Press, 1962), 93, 108.

5 C.B. Macpherson, Democratic Theory: Essays in Retrieval (London: Oxford, 1973), 156. Johnson's critique of Macpherson's paper in T.N. Guinsberg and G.L. Reuber, eds., Perspectives on the Social Sciences in Canada (Toronto: University of Toronto Press, 1974) concludes on what can only be described as an ugly note. Macpherson's reasoned critique of Johnson's contribution to the same volume observes that on Marxist economics Johnson "has nothing but shrill ill to say" (127).

6 By a nationalist critique I mean either (or both) of two rather different things: on the one hand from the perspective of a nationalist of a specific time and place; on the other hand from the perspective of a political economist who regards nationalism as being one of the essences of our contemporary being, and therefore a phenomenon impervious to reductionist analysis or other tricks to conjure it away, but rather warranting the most serious scholarly analysis.

7 Abraham Rotstein, *The Precarious Homestead: Essays on Economics, Technology and Nationalism* (Toronto: New Press, 1973), 64.

(...)

26 Amin, "Self-Reliance."

27 *Canadian Quandary,* 102.

28 *Technology and Economic Interdependence,* 148.

29 *Technology and Economic Interdependence,* 86.

30 Immanuel Wallerstein, "The present state of the debate on world inequality," in Immanuel Wallerstein, ed., *World Inequality: Origins and Perspectives on the World System* (Montreal: Black Rose Books, 1975), 12-28.

31 Charles P. Kindleberger, *American Business Abroad: Six Lectures on Direct Investment* (New Haven: Yale University Press, 1969), 6, 5, 257, 263.

32 Regis Debray, "Marxism and the National Question: Interview with Regis Debray," *New Left Review* 105 (1977): 26-8, 34.

33 *Technology and Economic Interdependence,* 34.

34 It is relevant to remind ourselves that Innis was a nationalist in the specific and critic sense that, as a Canadian in the era of the origins of the Cold War, his studies led him to have grave doubts about U.S. imperial strategy and to warn his fellow-citizens: "We can only survive by taking specific action at strategic points against American imperialism in all its attractive guises" (H.A. Innis, The Strategy of Culture (Toronto: University of Toronto Press, 1952), 2.

35 George Grant, *Lament for a Nation* (Toronto: McClelland and Stewart, 1965). 5-

36. Abraham Rotstein, "Is There an English-Canadian Nationalism?" Walter Gordon Lecture Series, 1978, 15. See also his *The Precarious Homestead* and "Canada: The New Nationalism," *Foreign Affairs* 55 (1976): 97-118.

37 Rotstein, *The Precarious Homestead,* 187, 19, ng.

38 It may be objected that neoclassical economics, as in the "new institutional" work of Douglass North and others, does theorizing about non-market activity. But by and large it is not being done in such a way as to enable getting at the political dimension.

39 H.A. Innis, *Political Economy in the Modern State* (Toronto: Ryerson, ig46), 101.

(...)

44 Anthony Downs, *An Economic Theory of Democracy* (New York: Harper, 1957)

45 Stephen Clarkson, "Anti-Nationalism in Canada: The Ideology of Mainstream Economics," *Canadian Review of Studies in Nationalism* 5 (1978): 45-65-

46 Both Treddenick and Gilpin emphasize the immobility of French Canadian workers, such that the purpose of protectionist policies is to relocate jobs in Quebec. Nevertheless, Gilpin endorses Breton's simplistic analysis of Quebec "separatism" as merely middle class. See J.M. Treddenick, "Quebec and Canada: Some Economic Aspects of Independence, "Journal of Canadian Studies 8 (1973): 21-2; and Robert Gilpin "Integration and Disintegration on the North American Continent," International Organization 28 (ig74): 871.

47 David A. Wilton, "An econometric model of the Canadian automotive manufacturing industry and the ig65 Automotive Agreement," ig72, 181.

48 Denis Smith, *Gentle Patriot: A Political Biography of Walter Gordon* (Edmonton: Hurtig, 1973), 405.

49 D.S. Daly and S. Globerman, Tariff and Science Policies: Applications of a Model of Nationalism (Toronto: University of Toronto Press for the Ontario Economic Council, 1976), 50. How the problem is modeled vitiates the results. The tariff is assessed with only passing reference to foreign ownership, thereby assuming that the inefficient industrial structure is the consequence solely of the former and not the latter, though the two are hopelessly intertwined historically.

50 A.W.Jenkins, "Review" of D.S. Daly and S. Globerman, *Tariff and Science Policies,* in *Canadian Public Policy* 3 (1977): 386-7.

51 Wallace Clement, *Continental Corporate Power* (Toronto: McClelland & Stewart, 1977).

52 Gilles Paquet, "The multinational firm and the nation state as institutional forms," in Gilles Paquet, ed., *The Multinational Firm and the Nation State* (Don Mills, Ont.: Collier-Macmillan Canada, 1972), 17.

53 *Economic Nationalism in Old and New States,* 16.

54 Indeed, it may be, as Johnson was wont to argue in other contexts, that Breton was "rationalizing his local problem" and that Johnson is guilty of falsely universalizing to Canada and the Third World.

55 Clarkson, "Anti-Nationalism in Canada," 26.

56 In sharp contrast to the reductionism of the Breton-Johnson model is the richness of the class analysis by numerous writers on Quebec, for example, Herbert Guidon, "Social unrest, social class and Quebec's bureaucratic revolution," *Queen's Quarterly* 71 (1964): 150-62; Gilles Bourque and Nicole Laurin-Frenette, "Social classes and national ideologies in Quebec, 1760-1970," in Gary Teeple, ed., *Capitalism and the National Question in Canada* (Toronto: University of Toronto Press, 1972), 185-210; Denis Moniere, *he developpement des ideologies au Quebec: des origines à nos jours* (Montreal: editions Quebec/Amérique, 1977); Henry Milner, *Politics in the New Quebec* (Toronto: McClelland and Stewart, 1978); Pierre Fournier, *The Quebec Establishment* (Montreal: Black Rose Books, 1976), and "The **PQ** and the economic power of business," *Our Generation* 12(3) (1978): 3-15; and Stanley B. Ryerson, "Quebec: concepts of class and nation," in Teeple, ed., *Capitalism,* 209-27. ***There remains a tendency in this literature, notable in Bourque and Laurin-Frenette and wholly absent only in Ryerson, to reduce the national question to the class question rather than to recognize the primacy and fundamental interpretation of both.***

57 Breton defines the middle class "to include managers, salaried professionals, sales people and office workers" ("Economics of Nationalism," 378).

To regard "white collar" as middle class and "blue collar" as working class is a distinction without merit; see Harry Braverman, *Labor and Monopoly Capital: The Degradation of Work in the Twentieth Century* (New York: Monthly Review Press, 1974).

58 As Garry Wills has wittily observed, "It would make policemen's work very easy if that maxim were truly the guiding one: they would automatically send to jail the principal beneficiary of any victim's insurance policy;" he sees those who work from that maxim as "acquiring the paranoid vision of politics" ("Heroic Darkness," *New York Review of Books* 25(5) (1978): 4).

59 Johnson's inability to understand how ordinary people could be rationally nationalist is reflected in his admitted puzzlement over the nationalism of Communist China. He is unwilling to concede that it may be an "expedient" means of mobilizing support for modernization but prefers, given "the internationalist philosophy of Communism," to see it as "clear evidence of doctrinal inconsistency." At best he is willing to admit that Chinese nationalism "raises some difficult conceptual problems ... which we have been unable to resolve in any useful fashion" *(Economic Nationalism,* viii).

60 For a general critique thereof, see Macpherson, *Democratic Theory,* 185-94.

61 "Anti-Nationalism in Canada."

62 Breton makes much of one poll for Quebec that "indicates that the probability of finding a separatist is higher in a high-income group than in a low-income group" ("Economics of Nationalism," 381); however, Carl Cuneo and James Curtis argue that, in 1968, working class support for separatism was comparable to that of the middle class ("Quebec Separatism: an Analysis of Determinants within Social-Class Levels," *Canadian Review of Sociology and Anthropology* 2 (1974): 1-29). ***At the moment there seems to be general agreement that a significant number of Québécois (and hence by necessity significant numbers of working class Québécois) support the PQ's demand for sovereignty-association but a significant portion of them may vote against it in a referendum because they fear the economic costs of not getting it.***

63 Philip Resnick observes that "what is interesting is not that some bourgeois spokesmen supported nationalism but rather how few" (The Land of Cain: Class and Nationalism in English Canada ig^jj-igjij (Vancouver: New Star Books, 1977), 112.

64 *Tariff and Science Policies,* g.

65 Rotstein, *Precarious Homestead,* 21.

66 T.N. Guinsberg and G.L. Reuber, eds., *Perspectives on the Social Sciences in Canada* (Toronto: University of Toronto Press, 1974), 97.

67 Rotstein, *Precarious Homestead,* 13.

68 Vaitsos, *Employment Problems.*
69 James Petras, "New Perspectives on Imperialism and Social Classes in the Periphery," *Journal of Contemporary Asia* 5 (1975): 291-308.
70 "Integration and Disintegration." For a review of the Canadian literature see Mel Watkins, "The Innis Tradition in Canadian Political Economy," reprinted in this volume.
71 *Economic Nationalism in Old and New States,* 1 o.
72 The study is Andre Raynauld, Gerald Marion and Richard Beland, "La repartition des revenus selon les groupes ethniques au Canada," cited in Dale Posgate and Kenneth McRoberts, *Quebec: Social Change and Political Crisis* (Toronto: McClelland and Stewart, 1976). Perhaps Breton would now 'justify' this as proper, given the 'superiority' of English over French as a language of business (see Albert Breton, *Bilingualism: An Economic Approach* (Montreal: CD. Howe Research Institute, 1978). But those less appreciative of the imperatives of transnational capital are entitled to have a sympathetic understanding of Quebec's language policies to the extent that they are intended to correct this "discrimination."
73 Rotstein, *Precarious Homestead,* 24.
74 Stephen Clarkson, "The Two Solitudes: Foreign Investment through the Prism of Canadian Economics," a paper presented to the annual meeting of the Canadian Economics Association, 1977.
75 H.A. Innis, *Political Economy in the Modern State* (Toronto: Ryerson, 1946), 78.
76 Nairn, *Break-up of Britain.*
77 *On Economics and Society,* 97, 80. Emphasis added.
78 *On Economics and Society,* 131.
79 *On Economics and Society,* 139.
80 Rotstein, *Precarious Homestead,* 25.
81 Political Economy in the Modern State, 100.
82 H.A. Innis, "The Teaching of Economics in Canada," (1927) reprinted in *Essays in Canadian Economic History* (Toronto: University of Toronto Press, 1956), 3-
83 *The Canadian Quandary,* 3.
(…)

Staples and Beyond

Selected Writings of Mel Watkins

Edited by Hugh Grant and David Wolfe

CHAPTER 14

Economics, Politics and the Relevance of Social Democracy (1989) *(excerpts)*

(All emphasis by the Web Ed.)

The 1930s is, in many ways, a long time ago. It is separated from the present by the great divide of World War II, which both rid the world of the twin scourges of fascism and the Great Depression and facilitated the building of the modern welfare state which had been called for by reformers in the thirties. This was to be followed, with only the slightest pause, by the launching of the Cold War; the welfare state was matched by the contemporary warfare state, and the restoration of economic normalcy accompanied by the new political pathology of the nuclear arms race that put all at risk. These developments fundamentally altered the agendas of economics and politics, both nationally and globally.

The result, it might be thought, is necessarily to render archaic and diagnosis and prescriptions of those earlier times... (yet) there remain some striking similarities between the (19) thirties and the (19) eighties...

(...)

Keynesianism as a progressive force has now been stood completely on its head; appropriated by the American far right, it has been recast as nothing more than military Keynesianism and (mercifully) renamed supply-side economics or Reaganomics. Having subscribed so fully to Keynesianism, social democracy has lost any sense of direction and stumbles about -- and we are worse off for that...

(...)

And there was a further dark and costly dimension to the social democratic embrace of Keynesianism. Even at its most radical, social democracy aims to reform capitalism, not overthrow it. Keynesianism promised and, within limits, delivered on those reforms. In the Cold War that came to dominate everything after World War II, Keynesian economics became an instrument in the propaganda war with Communism.[6] Social democrats -- who admittedly had good reason not to like communists *(specifically those Trotskyists who the backbone of socialist caucuses which militantly opposed their gradualism -- Ed.)* -- were now under the added thrall of Keynesianism; all too easily and too often they went too far and became avid cold warriors. On the issue that mattered, and matters most, that of war and peace, they risked coming down on the wrong side.

(PART) IV

We must now pick up the thread of the story of the social democratic intellectuals in the Canada of the thirties and relate it to these broad strands. *Towards the Christian Revolution* was published in the same year as Keynes' magnum opus, *The General Theory of Employment, Interest and Money.* Keynes' ideas

were already circulating and were certainly known to the young British-trained intellectuals of the LSR *(1930s pre-CCF League for Social Reconstruction)* and FCSO *(1936: Fellowship for a Christian Social Order)*, and subsequent commentators invariably included Keynesianism among the numerous ingredients that went into the thinking of these people. Still, to read them now is to be struck by how pre-Keynesian they were -- and hence, in one sense, how radical they could be. *Social Planning for Canada* has only two fleeting references to Keynes' writing, and neither is about the policies he advocated. There is no separate section on public works (in the sense of government spending thereon) -- it is simply seen as part of the national plan -- while taxation is treated as a transitional problem on the road to socialism when the government will be able directly to appropriate surplus. Forsey in the FCSO book notes that depressions have "a great deal to do with discrepancies between 'savings' and 'investment'," observes that "Precisely what capitalism should do about it is a matter of acute controversy among capitalist economists" -- so much for Keynes! -- and proceeds with his real concern which is to demonstrate that widespread nationalization is superior to the co-operative system.

The rest of the world mostly missed the Keynesian boat too, and Keynesian policies are about as scarce as hens' teeth in the thirties. In the dying days of World War II, there comes in Canada the commitment to full employment and some serious building of the welfare state, for which the left had so vigorously fought. Historians seem generally to give the CCF *(Co-operative Commonwealth Federation, the Prairie-based Farmer-Labor party established in 1933 and precursor to the NDP -- Ed.)* and the LSR and other forces for good, like the FCSO, much of the credit for this. We can all agree it is no small achievement and, in a world where political action has no certain payoff, is sufficient to justify the exercise. That these measures are brought in by the old line parties the better to destroy the CCF -- and substantially succeed in doing just that -- is an irony too well documented in numerous historical studies to need adumbration; though frustrating for the activists, from the viewpoint of the beneficiaries -- which is what really matters -- the achievement is real.

[PART] V

The CCF/LSR/FCSO grouping also missed another boat of particular salience to Canadians, namely, the American connection in general and foreign ownership in particular; to be fair, however, no one else in Canada really caught on to this issue until the fifties. The large corporation had been well and truly discovered in the thirties -- indeed, its existence (as we have seen) was central to the critique of monopoly capitalism -- but the fact it was multinational either eluded people or was thought not to matter. Foreign ownership is rarely referred to in the writings here under review and when it is, it is typical to insist that all capitalists are the same whether foreign or domestic; being equally bad, no case exists for replacing foreign with domestic capital, the proper solution being to nationalize the lot. In the postwar period, when the quantum leap in American ownership finally compelled recognition, the CCF was there but so, in their different ways, were the Diefenbaker Conservatives and the Walter Gordon Liberals; on this issue, the left was not ahead of the times.

The lack of foresight -- that sin of omission that is by its nature detectable only in hindsight -- extended to the Canadian-American relationship as a whole. The chapter on Foreign Policy in Social Planning for Canada includes the revealing sentence: "we may here neglect purely North American questions." Mackenzie King and Franklin Roosevelt signed a reciprocal trade agreement that reduced tariffs in November 1935; historians have come to see it as an important step down that subsequent much traveled road towards Canadian-American integration.[7] The left in due course came to deplore that destination -- and is today unanimous in its opposition to a Canada-US free trade agreement -- but at that time I would infer support. In Social Planning for Canada we read: "If the United States ... were ready to offer us preferential entry to her market in return for special terms for her goods here, it might pay us to accept" -- though, as always, it is hastily added that this would be in the context of a socialist Canada with national planning. *(Our early socialists were truly prone to idealism in those days -- Ed.)*

In some part this is because the LSR is explicitly anti-tariff, taking a clear position on the most perennially controversial issue in Canadian politics. It echoes the position of farmers and the West within the CCF but it does so, I would guess, less for that reason (though it would have affected Underhill) than because it here sees no cause to question a fundamental tenet -- perhaps we should say **the** fundamental tenet -- of neo-classical economics. Keynesian theory gave new credibility to the tariff as a way to create jobs (albeit under restrictive circumstances), and Keynes himself worried in the thirties that there was too much economic interdependence. But this was never central to Keynesian theory, and with Keynes himself soon forgetting such concerns the Canadian left had no reason not to stay with the older verities.

The generally complacent attitude adopted towards the United States may be taken as also reflecting the appeal of the New Deal -- which was surely understandable when Roosevelt's progressive proclivities and energy were contrasted with Bennett's repressiveness and King's stodgy caution. As well, as the prospect of a European war loomed, it was hoped that the United States would remain neutral, and with it, Canada. But there were suspicions -- and justifiably so -- about American foreign policy. **The LSR feared that the US policy of the open door in China risked war with Japan in the Pacific and was blunt in its advice: "The Canadian people as a whole have no more interest in this American imperialism than they have in British imperialism, and we must try to keep from getting entangled in its operation."**

There was, nevertheless, a certain innocence about imperialism, and about power generally, on the part of these Canadian socialists that needs to be noted. It was argued explicitly -- not merely assumed implicitly as some social democrats have always been wont to do -- that the capitalist class at home and abroad would permit the creation of a socialist society by a democratically-elected government. We now know, above all from the fate of Allende in Chile, that the capitalists within and without and the capitalist state from without -- and American capital and its state in particular -- preclude this happy option.

[P A R T] V I

Fifty years on, the FCSO and what it was related to -- the LSR, the CCF, the *Canadian Forum* -- should be judged as having served us well. In times as terrible as those of the thirties, when people cry out for help, the willingness to speak out is as important as what is concretely advocated; but we have seen that what was proposed in this case was imaginative and well-conceived. The LSR -- and the FCSO -- had their day and their members tended to drift into other things. Some, like Underhill and Forsey, ended up to the right even of the moderate NDP. This can, and should be, deplored, but it does not negate their achievements. The example they set for us stands; it is to give radical content to social democracy, now including its actually existing varieties.

N O T E S

1. Michiel Horn, *The League for Social Reconstruction: Intellectual Origins of the Democratic Left in Canada, 193* 0-1942 (Toronto: University of Toronto Press, 1980), 63. The other contributors to *Toward the Christian Revolution* were John Line, R. Edis Fairbairn and "Propheticus" (Martyn Estall).

2. For the detailed blueprint, see League for Social Reconstruction, *Social Planning for Canada* (Toronto: University of Toronto Press, 1975; first published 1935). Summaries and commentaries are to be found in Horn, *The League for Social Reconstruction;* Gregory Baum, *Catholics and Canadian Socialism: Political Thought in the Thirties and Forties* (Toronto: University of Toronto Press, 1980); David Lewis, *The Good Fight: Political Memoirs, 1909-1958* (Toronto: Macmillan of Canada, 1981); R. Douglas Francis, *Frank H. Underhill: Intellectual Provocateur* (Toronto: University of Toronto Press, 1986); Allen Mills, "The Canadian Forum and Socialism, 1920-1934," *Journal of Canadian* Studies (Winter 1978-79), 11-27; Norman Penner, *The Canadian Left: A Critical Analysis* (Scarborough: Prentice-Hall, 1977); the writings of Roger Hutchinson; and numerous entries in *The Canadian Encyclopedia* (Edmonton, 1985).

3. They are nevertheless oddly neglected in *The New Practical Guide to Canadian Political Economy,* edited by Daniel Drache and Wallace Clement (Toronto: Lorimer, 1985).

4. Penner, *The Canadian* Left, 245.

5. Galbraith, "How Keynes Came to America," in his *A Contemporary Guide to Economics, Peace and Laughter {London:* Houghton-Mifflin, 1971), 44.

6. I owe this point to a stimulating article by Josef Steindl; see his "J.M. Keynes: Society and the Economist," in Fausto Vicarelli, ed., *Keynes' Relevance Today* (London: Macmillan, 1985), 104.

7. For a fresh and engaging discussion of this, see Marc T. Boucher, "The Politics of Economic Dependence: Canadian-American Relations in the mid-1930s," *International Journal* (Winter 1985—86).